

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

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INTRODUCTORY SECTION



FINANCIAL SERVICES DEPARTMENT

November 21, 2008

The Honorable Mayor and Members of the City Council
City of Lynchburg, Virginia

The Comprehensive Annual Financial Report (CAFR) for the City of Lynchburg, Virginia, (City) for the year ended June 30, 2008, is hereby submitted in accordance with the *City Code* and state statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. With reasonable assurance, based upon a comprehensive set of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law and *City Code* require that the financial statements of the City be audited by an independent certified public accountant. Brown, Edwards & Company, L.L.P. has performed an audit of the Comprehensive Annual Financial Report (CAFR). The independent auditor's report, including an opinion on the basic financial statements of the government-wide and fund financial statements, is contained in the Financial Section of this Report. Brown, Edwards & Company, L.L.P. also audited the component unit financial statements of the Lynchburg City Schools and the Greater Lynchburg Transit Company.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The information presented in the MD&A provides a narrative introduction, overview, and analysis of the basic financial statements and should be considered in conjunction with additional information provided in this Letter of Transmittal.

The financial reporting entity includes all funds of the primary government (i.e., the City of Lynchburg), as well as its component units. The City provides a full range of municipal services including general administration, judicial functions, police and fire protection, parks and recreation, libraries, museums, health, juvenile and social services, maintenance of streets and highways, economic development, and community development. The City also owns and operates water and sewer systems and a regional airport. The City's municipal landfill became part of the Region 2000 Services Authority in July 2008. The City's discretely presented component units, Lynchburg City Schools (Schools), Business Development Centre, Inc., and Greater Lynchburg Transit Company (GLTC), provide public education, various small business services, and public transportation, respectively, to the citizens of the City. Each of these component units' governing bodies is appointed by City Council. Excluded are the financial statements of the Lynchburg Redevelopment and Housing Authority and the Industrial Development Authority of the City of Lynchburg. These organizations are associated with the City, but



are legally separate entities. Also, excluded are the financial statements of the Blue Ridge Regional Jail Authority and the Central Virginia Community Services Board, which are jointly governed organizations.

City Council has approved Debt Management, Fund Balance, Budget and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were reaffirmed by City Council in December 2006 and will be reviewed and reaffirmed again in December 2008. During the fiscal year adherence to these financial policies helped the City refinance a bond issue at a lower rate, manage a growing investment portfolio and close the year with a stronger fund balance than projected.

As required by law, each year, at least 45 days prior to June 30, the City Manager submits to City Council a recommended budget for the fiscal year beginning July 1. After extensive budget preparation and a Council review process that includes a public hearing to receive citizen input, City Council adopts the annual budget. The annual budget includes all funds represented in the City's Comprehensive Annual Financial Report. The budget must be approved no later than the day the fiscal year begins.

The City of Lynchburg was incorporated in 1805 by the Virginia General Assembly and became an independent city in 1852. Encompassing 50 square miles, Lynchburg is located adjacent to Amherst, Bedford, Appomattox and Campbell Counties, on the eastern edge of the beautiful Blue Ridge Mountains, and is within 54 miles of the geographic center of the Commonwealth of Virginia. With a population of 69,738, Lynchburg is an important commercial center for this four-county and city region, also known as Region 2000. The City benefits from an economy that has been relatively stable and remains diversified among the manufacturing, health services, technology, and trade sectors, as well as being the home to 5 colleges and universities.

The City of Lynchburg has been organized under the Council-Manager form of government since 1920. City Council is the governing body that makes all policy decisions for the proper administration of the City. City Council is elected by the voters and is comprised of seven members, who elect a Mayor and Vice-Mayor from their members for a two-year term. Three City Council members are elected at-large and four are elected from wards. Terms are for four years and staggered so a portion of Council is elected every two years. The City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of City Council; carries out its policies; directs, oversees, and is responsible for City operations; and has the power of appointment and removal of the directors of all departments and employees of the City.

Local Economic Condition and Outlook

While maintaining its role as an employment and commercial center for a four-county metropolitan area with a population of about 228,600, Lynchburg has dealt effectively with many of the challenges that face economies historically focused on manufacturing. Even though the City experienced limited growth in retail during FY 2008, the health services, educational and nuclear technology sectors expanded. Areva NP announced its plan to hire 500 new engineers in Lynchburg and build a \$25 million addition to provide the office space needed for expanded operations including the design for the first new U.S. commercial reactor in a generation. In the health services sector, a \$69 million five story, 108-bed tower addition to Lynchburg General was completed in November 2007. The addition was specifically designed for patient comfort, healing and personalized care. The East Tower also adds a conference center, new restaurant-style café and a gift shop. Centra Health, which owns and operates both Lynchburg General and Virginia Baptist Hospital in Lynchburg, also opened the 75,000 square foot Alan B. Pearson Regional Cancer Center in June 2008. The regional outpatient center combines radiation and medical oncology to offer patients the latest cancer-fighting technology. Liberty University (Liberty) continues its rapid expansion with over 11,000 students on campus and 3,000 faculty and staff. In addition, Liberty has over 39,000 students enrolled in its Distance Learning Program. The second annual Online College Ranking by the Online Education Database released earlier this year ranked Liberty's

Distance Learning Program third in the nation. The rankings evaluated the universities on their acceptance rates, financial aid packages, graduation rates, peer web citations, retention rates, scholarly citations, student-faculty ratios, and years accredited. Work began in April 2008 for 45,669 square feet of expanded computer lab and study space on Liberty's campus. There will be several offices, a "quiet study zone" area, a conference/seminar room, computer workstations and restrooms.

Lynchburg's growing technology base and job growth once again helped to boost the City's Metropolitan Statistical Area (MSA) to top national rankings. In The Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index, Lynchburg ranked 71st of the 200 largest metros in the nation, up 39 positions over last year. Lynchburg ranked second in Virginia's large metros. This ranking follows a Forbes Best Places for Business and Careers list that ranked Lynchburg in the top 24 of 200 large metros in April 2008.

The Virginia Economic Developers Association (VEDA) presented the City of Lynchburg its Population Category Four (40,001 – 100,000) Award for the City's 'One Programs'. The 'One Programs' include Grow One™ Summer Camp, Business Rocks Tours, Mentor One™, Take Our Daughters & Sons To Work™, Just Hire 1™, and Keep One™. The 'One Programs' are a long term approach to workforce development, facilitating the business community's involvement in interacting with students as early as the sixth grade and continuing through high school graduation and beyond. The programs' underlying philosophy is one of early exposure to the diversity of our business community, work environments, employer expectations, and educational opportunities. The programs engage the business community as an active partner in preparing the future workforce. Businesses interact with schools, colleges, students, and government in this workforce development program.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City continued its seventh year of implementing elements of the Downtown/Riverfront Master Plan adopted in March 2001 and updated in September 2006. The goal of the infrastructure/public space improvements is to attract more activity and private development into the downtown area thereby increasing the City's tax base.

Private developments include new and expanded restaurants, stores, and offices. A major new lodging, dining and meeting facility, the Bluffwalk Center opened in September 2007 and has proven to be a growing viable business. It includes the Craddock Terry Hotel, a boutique hotel with forty-three individually unique guestrooms and a conference center; Shoemakers, a high-end restaurant; Waterstone, a casual restaurant; and the Jefferson Street microbrewery in two renovated buildings, one previously a shoe factory and the other a tobacco warehouse.

Future downtown revitalization activities are comprised of the renovation of the north end of Jefferson Street, the lower Bluffwalk pedestrian project and the 12th Street corridor. The renovation of the north end of Jefferson Street includes a multi-functional stage, additional parking and storm water infrastructure related to the Bluffwalk project. The lower Bluffwalk project includes a pedestrian walkway with pocket parks and a 100% privately financed James River Condominium project. The 12th Street corridor consists of an observation overlook, an elevator to Jefferson Street, and streetscape to Main Street and the Community Market.

Midtown and Fifth Street Corridor

On October 11, 2005, City Council approved an amendment to the City's Comprehensive Plan to incorporate the Midtown Area Plan. As part of the Midtown Area Plan, the Fifth Street Corridor Plan's purpose is to provide a vision and a blueprint for the revitalization of the Fifth Street Corridor between

Main Street and the Martin Luther King, Jr. Memorial Bridge. Funding is provided in the Adopted FY 2008 Capital Improvement Plan for the design and construction of a roundabout at a major intersection. Also included are streetscape improvements to create a pedestrian friendly environment and encourage business development. There has been significant private interest with several recent land sales, the continued success of two restaurants and the opening of a record store and an urban boutique on Fifth Street.

Education

For 2008, the State of Virginia Department of Education notified Lynchburg City Schools that fourteen of the sixteen public schools earned full accreditation. The other two received accreditation with a warning. City Schools also met the objectives of the No Child Left Behind Act in fourteen of the sixteen schools for the FY 2008 school year.

Infrastructure

Construction continues on the new Juvenile and Domestic Relations Court and Sandusky Middle School. Both of these buildings will be built using Leadership in Energy and Environmental Design (LEED) certification standards. City Schools applied for Literary Loan funds to assist with financing for Sandusky Middle School and have been placed on a waiting list of projects. The City plans to go to the bond market in summer or fall 2009 to complete financing for both the court and middle school. Funds were placed in a reserve in the FY 2008 Adopted Budget for future debt service payments in anticipation of this borrowing.

Information Technology

In FY 2008, the City continued its commitment to utilize information technologies to improve the performance of local government and the delivery of services to citizens. For the fourth consecutive year, the City was named a national leader by the Center for Digital Government for creating “a seamless environment between local government and constituents.” In FY 2008, for cities in the population category of 30,000 – 74,000, Lynchburg placed first in the nation for its use of information technologies to improve service delivery to citizens and to advance the concept of digital government.

Museum

The newly renovated and restored Lynchburg Museum at the Old Court House reopened to the public on February 2, 2008 after being closed for almost six years for structural repairs and restoration. The Museum features a chronological history of Lynchburg and Central Virginia. Two media programs, *Faces* and *A Lynchburg Album*, highlight people who had an impact on the City along with a sampling of the historic photographs in the Museum Collection.

Utilities

In FY 2008, the Utilities Department received three awards from the Virginia Department of Health’s Office of Drinking Water, more than any other utility department in the State. The Department received the prestigious Excellence in Waterworks Operation Award for overall operations, and for the second year in a row, both the College Hill and Abert Filtration Plants won the Excellence in Granular Media Water Treatment Plant Performance Award.

The intent of Virginia’s Excellence in Waterworks Operations Award is to recognize owners of individual and/or multiple waterworks that have met all drinking water standards, treatment technique requirements, compliance orders, and monitoring and reporting requirements, and have demonstrated excellence practices and innovative ideas in their ability to provide safe drinking water to the public.

Water treatment plants that received an Excellence in Performance Award met the basic criterion of producing filtered water that is significantly cleaner than required by the United States Environmental Protection Agency regulatory standards in each filter of the plant in every month of 2007. This is especially difficult to achieve in plants with higher water flows such as Lynchburg. Typically, this award is earned by smaller community water systems.

Community Involvement

Lynchburg City Council's vision includes the statement *"Lynchburg acknowledges and values its rich cultural, ethnic, racial, and religious diversity while promoting a respectful and cohesive community."* It is in the spirit of this statement that beginning in the spring of 2007 the City embarked on an initiative to bring the community together to dialogue about race and racism. Using a "study circle" model participants were assigned to diverse groups to discuss public concerns in a constructive, respectful conversation. With the help of trained facilitators, more than 600 individuals with a connection to Lynchburg through residency, work, school attendance, or leisure activity had a safe and supportive environment in which to discuss the issues of race and racism. Although the discussions themselves created some individual change, a more strategic transition from talk to action has been a core component of this project. As the dialogue moves toward action, community members believe strongly that through this open and candid dialogue lasting relationships are built and that those relationships will begin to foster positive change in the Lynchburg community.

Prospects for the Future

The City of Lynchburg is guided by a vision that addresses the challenges of a central city and builds on the strengths inherent in the City and the region. That vision supports community character, economic prosperity, good government, multicultural diversity and sees the City as a compelling destination for visitors.

Perhaps the biggest challenge facing the City is the maintenance of its extensive infrastructure of roads, sewers, water lines and buildings. Many facilities have reached or are reaching the end of their projected lives and their replacement or upgrade present enormous costs. Extensive repairs are needed to several schools, many roads and bridges need to be upgraded, and new federal and state mandates may require significant enhancements to water and wastewater treatment facilities. With the economic downturn, the City is experiencing very modest growth in revenues which limits the amount of funding available for capital improvements.

Considerable capital investment needs to occur in several priority areas. First, construction is underway for a new Juvenile and Domestic Relations Court and Sandusky Middle School. Heritage High School and several elementary schools also require improvements. Second, continued investment in the downtown/riverfront area and work on implementing both the Midtown and Fifth Street plans require ongoing funding. It has already been demonstrated that public investment encourages significant private investment, strengthening the City's tax base. Downtown redevelopment is reaching the critical mass of residential, business, and institutional activities necessary for it to become self-sustaining for the long term. The same success needs to be realized in other areas of the City needing revitalization. Finally, future capital investment is required in the combined sewer overflow (CSO) program and in the maintenance of the City's streets, bridges, and sidewalks.

Economic development activities continue to focus on promoting the City as a good place to live and work within the region. Marketing efforts will target prospects for both downtown and the City's public and private industrial parks. Recognizing that economic development anywhere in the region provides benefits to Lynchburg, the City will support marketing efforts in neighboring jurisdictions as well. Tourism will continue to play an important role and the City has signed a new contract with the Lynchburg Regional Chamber of Commerce for the operation of the convention and visitors' bureau. The

City will continue to accommodate appropriate commercial development to serve the region, further enhancing the City as a shopping and dining destination. Lynchburg Regional Airport will remain an important transportation link for the area. A 1300 foot main runway extension project, completed in 2008 will enhance commercial and freight aviation activities.

On the State level, the City will remain active in the Virginia First Cities Coalition, advocating for a statewide urban policy, adequate funding for education, and other shared responsibilities. As instruments of the state, the success of cities depends on the structure, environment and support provided by state government. With the projected State cuts for FY 2009 and FY 2010, Virginia's older core cities will take the burden of the reductions causing further challenges to provide mandated services. Multiple studies have demonstrated the relative disadvantage under which cities in Virginia operate. The long-term viability of the Commonwealth's older core cities depends on the recognition of their importance to its regions and a fuller sharing of the costs and benefits of providing services to those communities.

While the challenges are many for the City, so are the opportunities for success. The City has undertaken a very broad "Sustainable City" initiative to ensure policies and resources are in place to support the future viability of Lynchburg. This initiative and "new way of thinking and acting" are in its early stages of development. The Sustainable City initiative focuses on thirteen key elements critical to the City's future. These elements are: Citizen Engagement, Cultural Enrichment, Economic Development, Education/Healthy Schools, Fiscal Responsibility, Healthy and Active Living, Housing, Infrastructure, Natural and Environmental Resources, Safe Community, Smart Growth, Social Capital, and Transportation. The City will continue to take the steps necessary to become the progressive community outlined in Council's Vision.

Certificates of Achievement for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2007. This is the City's eleventh consecutive year in receiving this award.

GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2007 Adopted Budget. This is the City's third consecutive year in receiving this award.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the leadership of Rhonda Allbeck, Assistant Director of Financial Services and the dedicated service of the staff of the Financial Services Department. Each member of the department has our appreciation for the contributions made by them in the preparation of this Report. Appreciation is expressed also to City Council for its interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



L. Kimball Payne, III
City Manager



Donna S. Witt
Director of Financial Services

CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2008

CITY COUNCIL

Joan F. Foster, Mayor

Bertram F. Dodson, Jr., Vice-Mayor
Dr. Michael A. Gillette
Rev. Ceasor T. Johnson

Dr. T. Scott Garrett
Jeff S. Helgeson
Joseph M. Seiffert

CITY OFFICIALS

L. Kimball Payne, III
Bonnie Svrcek
Walter Erwin
Donna Witt

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Julie P. Doyle, Chairman

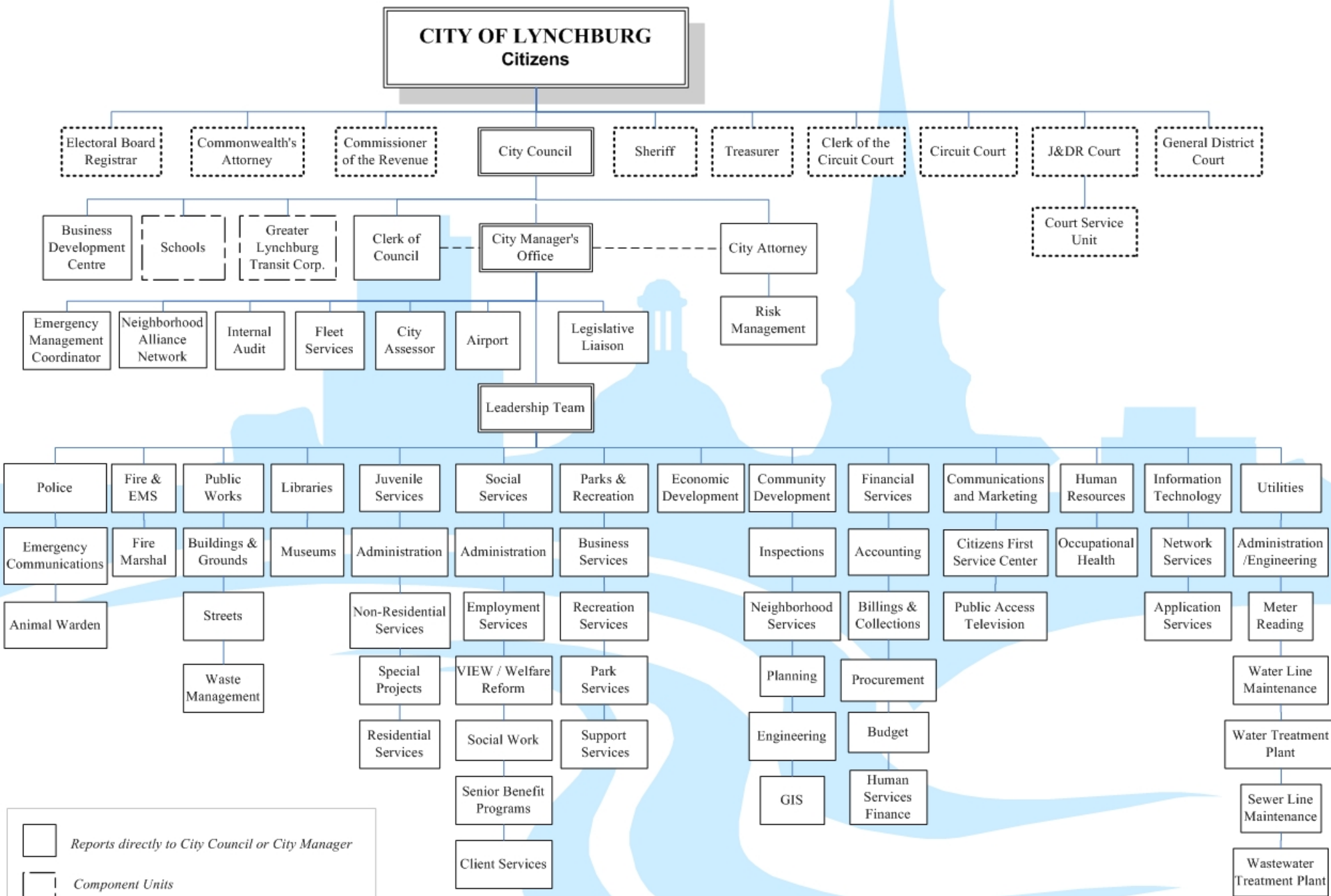
Sterling A. Wilder, Vice Chairman
Mary Ann H. Barker
Leslie “Les” J. Faircloth
Dr. Darin L. Gerdes

Rev. Keith R. Anderson
Albert L. Billingsly
Ellis M. “Mac” Frankfort
Trenay L. Tweedy

SCHOOL BOARD OFFICIALS

Dr. Paul McKendrick
Dr. Roger Roberts
Dr. Stephen Smith
Beverly Padgett

Superintendent of Schools
Deputy Superintendent
Assistant Superintendent for Curriculum and Instruction
Chief Financial Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynchburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council and the City Manager
City of Lynchburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of \$1,151,581 as of June 30, 2008, and total revenues of \$384,717 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the City Capital Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3a to 3p and pages 58 and 59, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund statements, non-major fund budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. In addition, the accompanying schedules of passenger facility charges and of expenditures of passenger facility charges are presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, the non-major fund budgetary comparison statements, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and of expenditures of passenger facility charges have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2008

CITY OF LYNCHBURG, VIRGINIA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the City of Lynchburg's (City) financial statements offers readers a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2008. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities at June 30, 2008 by \$401.0 million (net assets). Unrestricted net assets of \$91.7 million were available to meet future obligations. This represented \$58.2 million for governmental activities, which included the General Fund, and \$33.5 million for business-type activities, which included the Enterprise Funds (Solid Waste Management, Water, Sewer, and Airport).
- The General Fund's undesignated fund balance of \$26.0 million was 17% of total General Fund revenues, which were \$156.4 million. This was \$10.4 million more than the City Council adopted Undesignated Fund Balance Policy requirement of 10%, or \$15.6 million.
- In comparison with the prior fiscal year, the City's total net assets increased 9%, or \$34.4 million, from FY 2007. Net assets of governmental activities increased 12.6%, or \$24.7 million, from FY 2007; and, net assets of business-type activities increased 5.7%, or \$9.7 million. The Schools' total net assets decreased 22.6%, or \$0.7 million, from FY 2007.
- The City's total revenues of \$241.3 million increased 13%, or \$28.0 million, and total expenses of \$206.9 million increased 10%, or \$18.0 million, from FY 2007. General revenues and transfers of \$123.1 million were \$34.4 million more than the expenses net of program revenues of \$88.7 million.
- In accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, the City recognized a net OPEB liability of \$1.9 million and the School recognized a net OPEB liability of \$0.5 million in FY 2008. See note 13 for further information.
- For the current fiscal year, the City's total liabilities of \$314.8 million increased 5% or \$15.2 million from FY 2007.
- Total new debt of \$55.0 million was issued, of which \$22.8 million was for governmental activities and \$32.2 million was for business-type activities. The City issued a five-year general obligation bond anticipation note concurrent with this Financing Agreement to provide up to \$15.0 million of interim financing for qualifying capital improvements. Business-type activities new long-term debt consisted of \$12.4 million from the Virginia Revolving Loan Program (VRL) for Combined Sewer Overflow (CSO) sewer capital projects and \$19.8 million in general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City of Lynchburg's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the City's net assets and changes in net assets. One can think of the City's net assets – the difference between assets and liabilities – as a way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets help determine whether the City's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the City is divided into the following:

Governmental activities - The City's basic services are reported here: general government, police, fire, public works, juvenile and social services, parks and recreation, community development and fleet internal services. Property taxes, other taxes, and intergovernmental revenue are the primary sources that finance these activities.

Business-type activities - The financial information for the solid waste management, water, sewer and airport activities are reported here. The City charges a fee to customers to fund all or most of the cost of services provided by these activities.

Component units - The City also includes three separate legal entities in its Report – the Lynchburg City Schools, the Greater Lynchburg Transit Company, and the Business Development Centre, Inc. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. As described in the following information, the City uses governmental, proprietary, and fiduciary fund financial statements to provide detailed information regarding its most significant funds.

Governmental Funds

Governmental funds report most of the City's basic services. The funds focus on cash and other financial resources that can be readily converted to cash flows in and out, and balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a near or short-term view of the City's finances that helps the reader determine whether there are greater or fewer financial resources available in the near future to finance City programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

Proprietary Funds

Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise or internal service funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis from activities within the government. The City maintains the accounting for four enterprise funds: solid waste management, water, sewer and airport operations; and, an internal service fund to account for its fleet services. Because fleet services predominantly benefit governmental rather than business-type functions, the internal service fund is included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the City cannot use these assets for its operations.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits and other post employment benefits to its employees.

The Combining and Individual Fund Statements and Schedules for all Non-major Funds include the governmental, special revenue, and capital projects funds. Commencing in FY 2008, budget to actual statements are provided for governmental and special revenue funds with legally adopted budgets.

The Schools' and the City's financial statements are included in one Comprehensive Annual Financial Report. The Greater Lynchburg Transit Company and the Business Development Centre, Inc. issue separate reports.

Other Supplementary Information for the City and Schools includes a Statistical Section, Schedule of Expenditures of Federal Awards and Schedules of Passenger Facility Charges Revenues and Expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The following table reflects condensed information for the City's net assets. Percentage changes in the table below were rounded for the following narrative.

***Summary of Statement of Net Assets
As of June 30, 2008/2007
(in millions)***

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2008	2007	2008	2007	2008	2007	2008-2007	2008	2007
Current and other assets	\$ 122.2	\$ 88.3	\$ 62.8	\$ 71.0	\$ 185.0	\$ 159.3	16%	\$ 15.4	\$ 16.6
Capital assets	256.1	253.5	274.7	253.4	530.8	506.9	5%	2.6	2.1
Total assets	378.3	341.8	337.5	324.4	715.8	666.2	7%	18.0	18.7
Long-term liabilities	136.9	125.4	153.1	148.4	290.0	273.8	6%	3.5	2.9
Other liabilities	20.1	19.8	4.7	6.0	24.8	25.8	-4%	12.1	12.7
Total liabilities	157.0	145.2	157.8	154.4	314.8	299.6	5%	15.6	15.6
Net Assets									
Invested in capital assets, net of related debt	143.1	139.8	146.2	134.4	289.3	274.2	6%	0.7	0.5
Restricted for Capital projects	20.0	-	-	-	20.0	-	100%	-	-
Unrestricted	58.2	56.8	33.5	35.6	91.7	92.4	-1%	1.7	2.6
Total net assets	\$ 221.3	\$ 196.6	\$ 179.7	\$ 170.0	\$ 401.0	\$ 366.6	9%	\$ 2.4	\$ 3.1

The City's total net assets of \$401 million increased 9%, or \$34.4 million, from FY 2007.

Net assets invested in capital, net of related debt; of \$289.3 million were 72% of total net assets and increased 6%, or \$15.1 million. Net assets invested in capital were not available for future expenses because they were facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has a strong financial position with 23%, or \$91.7 million, of unrestricted net assets, which are comprised of 63%, or \$58.2 million, for governmental activities, and 37%, or \$33.5 million, for business-type activities. Unrestricted net assets available for providing services to the citizens decreased 1%, or \$0.7 million. Restricted net assets of \$20 million are comprised of grant funds designated for highway maintenance projects.

The Schools' component unit total net assets of \$2.4 million decreased 22.6%, or \$0.7 million from FY 2007. Unrestricted net assets of \$1.7 million decreased 35%, or \$0.9 million.

Statement of Activities

The City's total revenues and expenses for governmental and business-type activities are reflected in the following table. Percentage changes in the table below were rounded for the following narrative.

Summary of Changes in Net Assets For Fiscal Years Ended June 30, 2008/2007 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2008	2007	2008	2007	2008	2007	2008-2007	2008	2007
Revenues:									
Program Revenues:									
Charges for services	\$ 11.8	\$ 11.2	\$ 37.2	\$ 35.6	\$ 49.0	\$ 46.8	5%	\$ 2.7	\$ 2.7
Operating grants/contributions	36.4	33.9	0.4	0.4	36.8	34.3	7%	58.6	57.8
Capital grants/contributions	24.9	2.2	7.5	8.9	32.4	11.1	192%	-	-
General Revenues:									
Property taxes	63.2	57.3	-	-	63.2	57.3	10%	-	-
Other taxes	47.1	46.6	-	-	47.1	46.6	1%	-	-
Unrestricted intergovernmental	6.2	9.7	-	-	6.2	9.7	-36%	-	-
Interest	3.5	3.1	1.8	2.4	5.3	5.5	-4%	-	-
Miscellaneous	1.0	1.9	0.1	0.1	1.1	2.0	-45%	0.3	0.3
Gain on sale of assets	0.2	-	-	-	0.2	-	100%	-	-
Transfers	(0.6)	-	0.6	-	-	-	-	-	-
City appropriation	-	-	-	-	-	-	-	33.0	29.0
Total Revenues	<u>\$ 193.7</u>	<u>\$ 165.9</u>	<u>\$ 47.6</u>	<u>\$ 47.4</u>	<u>\$ 241.3</u>	<u>\$ 213.3</u>	<u>13%</u>	<u>\$ 94.6</u>	<u>\$ 89.8</u>
Expenses:									
General government	13.4	12.1	-	-	13.4	12.1	11%	-	-
Judicial	5.6	5.5	-	-	5.6	5.5	2%	-	-
Public safety	43.2	40.4	-	-	43.2	40.4	7%	-	-
Public works	21.5	19.7	-	-	21.5	19.7	9%	-	-
Health and human services	27.1	23.4	-	-	27.1	23.4	16%	-	-
Cultural and recreational	10.2	9.4	-	-	10.2	9.4	9%	-	-
Community development	5.3	6.8	-	-	5.3	6.8	-22%	-	-
Education	36.7	33.5	-	-	36.7	33.5	10%	95.3	89.0
Interest & other fiscal charges	5.8	5.5	-	-	5.8	5.5	5%	-	-
Issuance costs	0.2	-	-	-	0.2	-	100%	-	-
Transfers	-	-	-	-	-	-	-	-	-
Solid waste management	-	-	8.2	6.4	8.2	6.4	28%	-	-
Airport	-	-	3.9	3.5	3.9	3.5	11%	-	-
Water	-	-	11.4	9.9	11.4	9.9	15%	-	-
Sewer	-	-	14.4	12.8	14.4	12.8	13%	-	-
Total Expenses	<u>\$ 169.0</u>	<u>\$ 156.3</u>	<u>\$ 37.9</u>	<u>\$ 32.6</u>	<u>\$ 206.9</u>	<u>\$ 188.9</u>	<u>10%</u>	<u>\$ 95.3</u>	<u>\$ 89.0</u>
Change in net assets	<u>24.7</u>	<u>9.6</u>	<u>9.7</u>	<u>14.8</u>	<u>34.4</u>	<u>24.4</u>	<u>41%</u>	<u>(0.7)</u>	<u>0.8</u>
Net assets beginning	<u>196.6</u>	<u>187.0</u>	<u>170.0</u>	<u>155.2</u>	<u>366.6</u>	<u>342.2</u>	<u>7%</u>	<u>3.1</u>	<u>2.3</u>
Net assets ending	<u>\$ 221.3</u>	<u>\$ 196.6</u>	<u>\$ 179.7</u>	<u>\$ 170.0</u>	<u>\$ 401.0</u>	<u>\$ 366.6</u>	<u>9%</u>	<u>\$ 2.4</u>	<u>\$ 3.1</u>

Governmental Activities

The City's governmental activities are comprised of the General Fund, Fleet Internal Services Fund, Special Revenue Funds and Capital Projects Funds. Total net assets of \$221.3 million increased 12.6%, or \$24.7 million from FY 2007.

Revenue highlights:

Revenues from governmental activities of \$193.7 million increased 17%, or \$27.8 million from FY 2007.

Program Revenues, specifically Capital Grants and Contributions increased \$22.7 million primarily from the City's participation in the Urban Construction Initiative (UCI). The UCI allows the City to administer its urban system construction program for highway construction projects approved by the Commonwealth Transportation Board in their six-year improvement program. The Virginia Department of Transportation (VDOT) transferred one initial payment to the City during FY 2008. VDOT will continue to pay the City the State portion of its annual construction apportionment on a quarterly basis.

General revenues, specifically Property Taxes of \$63.2 million increased \$5.9 million. Property Taxes are comprised mainly of Real Property and Personal Property taxes. Real Property taxes increased \$5.5 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment occurred July 1, 2007 and resulted in an increase from \$3.7 billion to \$4.5 billion, or \$0.8 billion, in assessed value of taxable real property. The Real Property tax rate changed from \$1.11 per \$100 of assessed real property value to \$1.05 per \$100 of assessed real property value. Personal Property Taxes increased \$1.5 million primarily due to an increase in taxes billed resulting from higher assessed property values.

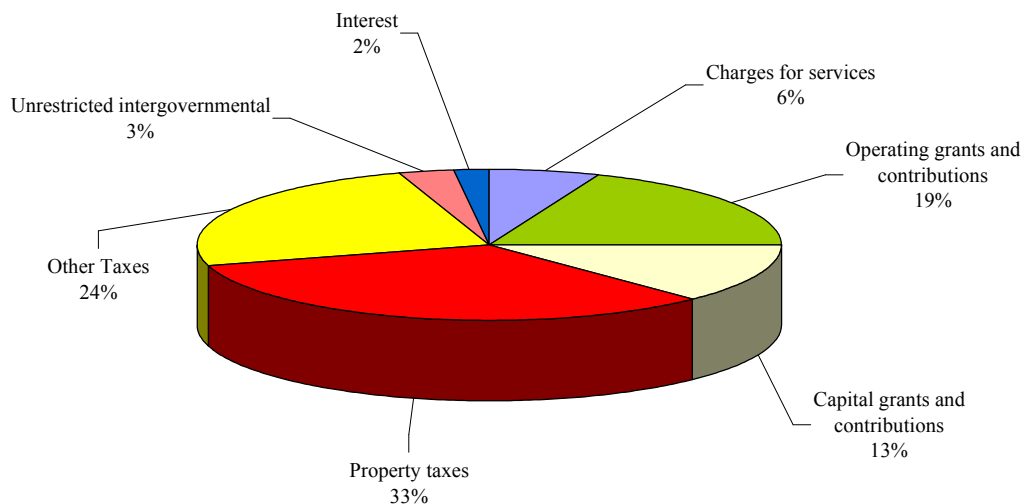
Other Taxes of \$47.1 million increased \$0.5 million. Other taxes are comprised mainly of revenue from Local Sales, Meals, Consumer Utilities, and Business Licenses Taxes.

Unrestricted intergovernmental revenues of \$6.2 million decreased \$3.5 million, due to a reclassification of House Bill 599 funding to the operating grants/contributions revenue category as mandated by the Commonwealth of Virginia.

Investment earnings of \$3.5 million increased \$0.4 million due to the investment earnings on the UCI grant funds and bond proceeds.

The following chart reflects the governmental activities distribution of revenues by source.

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses totaled \$169 million, which included the following increases in expenses from FY 2007:

3% (average) for City employees' performance based compensation; employee/retiree benefits and workers' compensation; other post employment benefits; public safety; buildings, bridges, streets, and highway maintenance; social services programs including the Comprehensive Services Act; fuel; and depreciation. Education increased \$3.2 million from a \$2.9 million local contribution increase in addition to depreciation. Overall, this represented an 8% increase, or \$12.7 million, as compared to the prior year for governmental activities expenses.

The following table indicates the total cost of services and net cost of services for governmental activities.

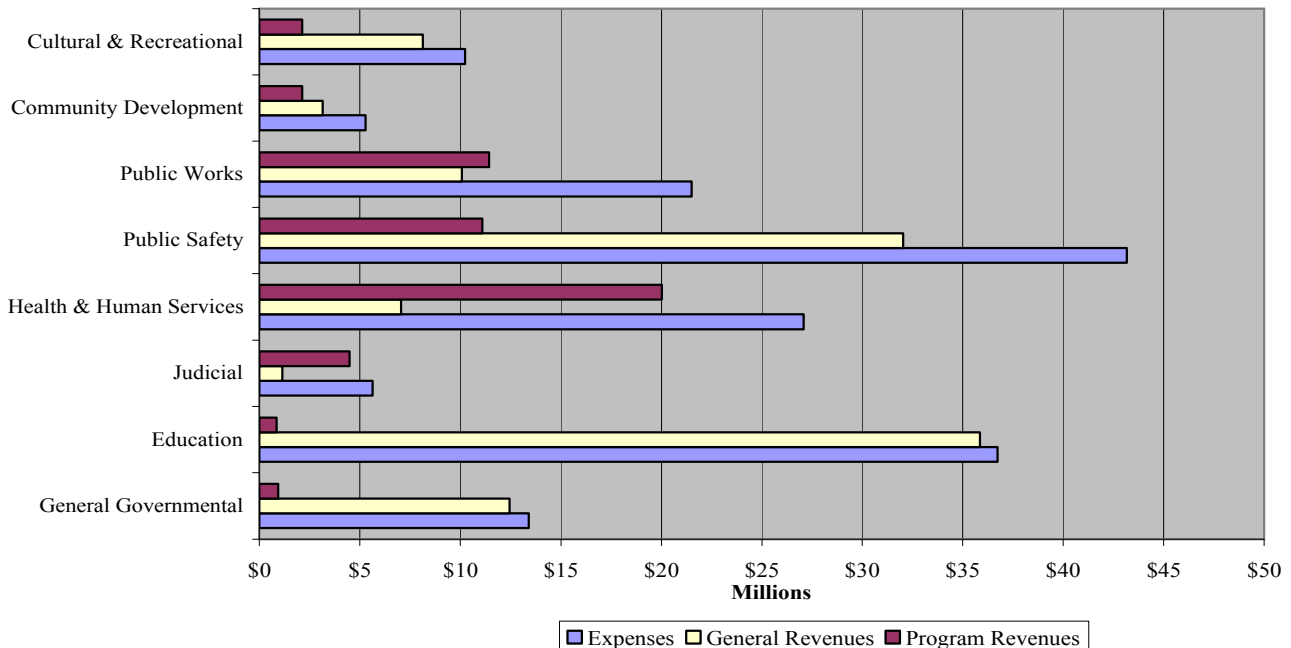
***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2008/2007
(in millions)***

Governmental Activity	Total Cost of Services		Percentage Change 2008-2007	Net Cost of Services		Percentage Change 2008-2007
	2008	2007		2008	2007	
General government	\$ 13.4	\$ 12.1	11%	\$ 12.4	\$ 11.4	9%
Judicial	5.6	5.5	2%	1.2	1.5	-20%
Public safety	43.2	40.4	7%	32.0	31.9	0%
Public works	21.5	19.7	9%	(9.9)	10.5	-194%
Health and human services	27.1	23.4	16%	7.1	6.0	18%
Cultural and recreational	10.2	9.4	9%	8.1	7.2	13%
Community development	5.3	6.8	-22%	3.2	3.6	-11%
Education	36.7	33.5	10%	35.9	31.3	15%
Interest payments & other fiscal charges	5.8	5.5	5%	5.8	5.5	5%
Issuance costs & other	0.2	-	100%	0.2	-	100%
Total Governmental Activities	\$ 169.0	\$ 156.3	8%	\$ 96.0	\$ 108.9	-12%

The four largest funded programs were public safety at 26.0%, or \$43.2 million; local support for education at 22%, or \$36.7 million; health and human services at 16%, or \$27.1 million; and public works at 13%, or \$21.5 million. Education and Public safety continued to be high priorities for the City.

As demonstrated in the previous table, the governmental activities total cost of services increased 8% from the prior year. While the net cost of services shows a decrease of 12%, the true net cost of services without the UCI grant funds is actually in line with the total cost of services of 8%. The Statement of Activities shows that the \$169 million in governmental activities program expenses were financed by \$11.8 million from those receiving services, \$36.4 million from operating grants and contributions, \$24.9 million from capital grants and contributions which includes \$20 million of UCI grant funds to be used in the future and \$95.9 million from general revenues. Overall, general revenues and transfers of \$120.6 million were \$24.7 million more than the \$95.9 million of expenses net of program revenues. A major portion of this increase is attributable to the UCI grant funds. The following graph compares governmental activities program expenses and program revenues along with general revenues funding required for each program. Remaining UCI grant funds are excluded from public works.

Program Expenses and Program Revenues - Governmental Activities



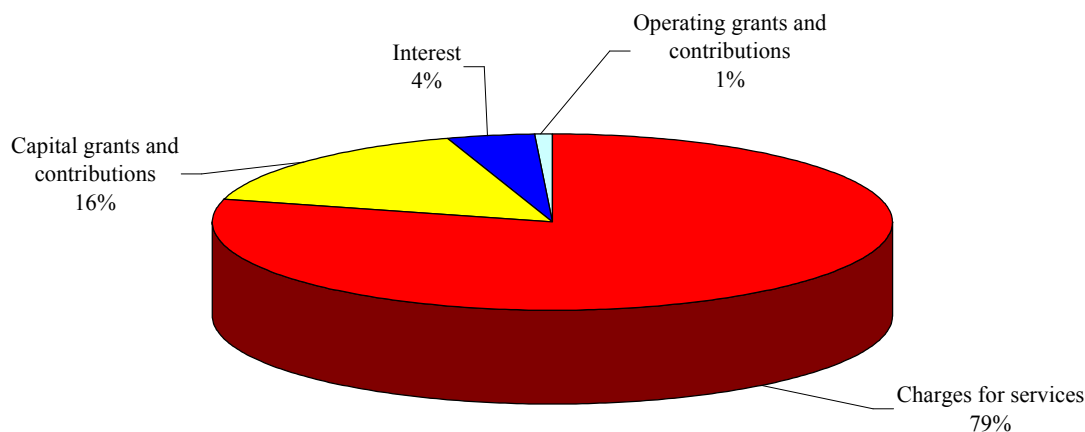
Business-type Activities

The business-type activities are comprised of Enterprise Funds for solid waste management, water, sewer, and airport operations. Total net assets of \$179.7 million increased 6%, or \$9.7 million from FY 2007.

Revenue highlights

Business-type activities revenues of \$47.6 million increased \$0.2 million from the prior year. This was primarily due to increases in charges for services of \$1.6 million from 4% rate increases for water and sewer services. Intergovernmental operating/capital grants contributions decreased \$1.4 million, primarily related to reduced federal funding for the Lynchburg Regional Airport's runway extension project which is near completion. Investment earnings decreased \$0.6 million primarily due to the expenditure of bond proceeds on capital projects resulting in fewer funds available for investment.

The following chart reflects the business-type activities distribution of revenues by source.



Expenses

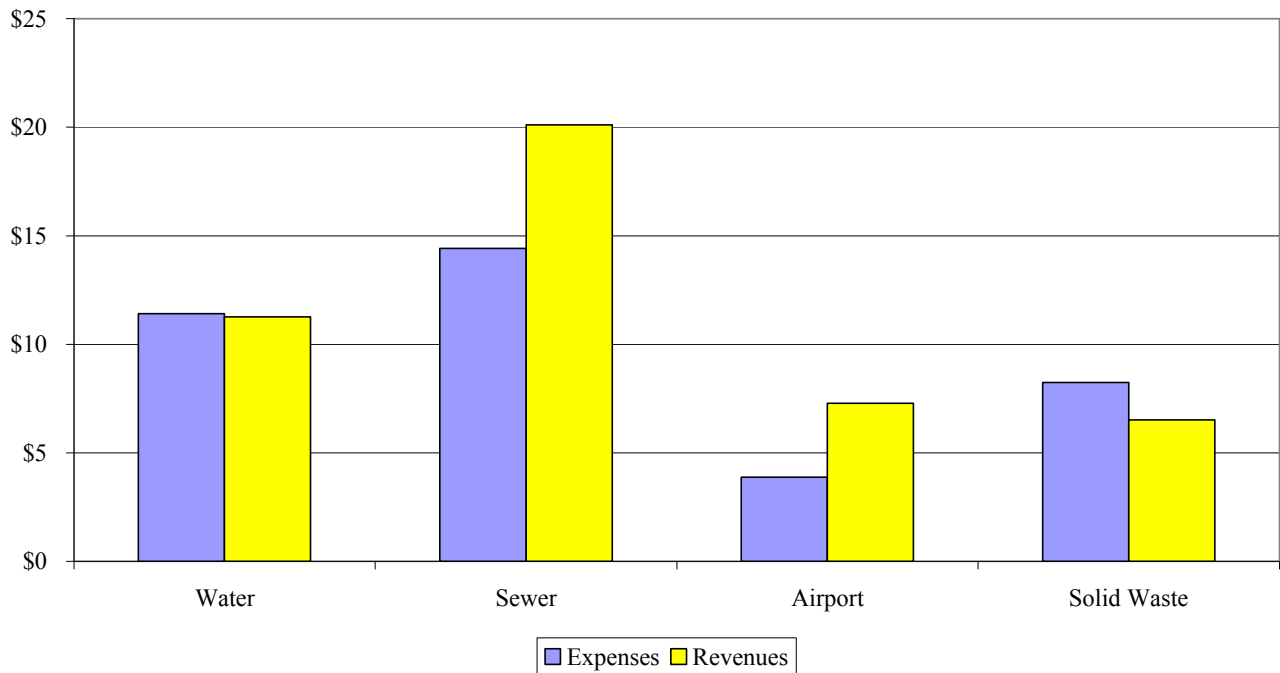
Business-type activities expenses of \$37.9 million increased 16%, or \$5.3 million, from the prior year. This was due primarily to increased personal services and benefits, other post employment benefits, operation and maintenance costs, landfill closure and post closure costs, supplies and materials, and depreciation.

The Proprietary Funds provide the same type of information reported in the government-wide financial statements for business-type activities, but in more detail. Please refer to the MD&A's section on Financial Analysis of the Fund Financial Statements-Proprietary Funds for detailed analysis of the business-type activities major funds.

Overall, business-type activities revenues of \$47.6 million were \$9.7 million more than expenses of \$37.9 million.

The following graph compares the business-type activities program expenses and program revenues.

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools' total net assets of \$2.4 million decreased 22.6%, or \$0.7 million, from FY 2007. This was primarily due to a decrease in unrestricted net assets of 35%, or \$0.9 million to \$1.7 million resulting from expenses exceeding revenue for the fiscal year. Additionally, net assets invested in capital, net of related debt, of \$0.7 million, increased 40%, or \$0.2 million, due to capital lease obligations and related equipment acquisitions.

Revenues

Total revenues of \$94.6 million increased 5%, or \$4.8 million, from FY 2007 primarily due to increased revenues from the Commonwealth of Virginia and the City of Lynchburg. For FY 2008, 52%, or \$48.9 million, of total revenues were received from the Commonwealth of Virginia, which included \$8.8 million in sales tax receipts. The City government contributed 35%, or \$33 million, to education. Federal revenues of 9%, or \$9 million, included \$3.8 million from Title I funds to provide educational services to economically disadvantaged students and \$2.3 million to provide special education services for students with disabilities. School Nutrition revenues of \$3.1 million included \$2.2 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 4%, or \$3.7 million, included the following: school meals sales; tuition paid by participating school divisions to the Central Virginia Governor's School for Science and Technology; and other miscellaneous sources.

Expenses

Total expenses of \$95.3 million increased 7%, or \$6.3 million, from the prior year primarily due to personal services and benefits costs and purchased services costs. For FY 2008, 74%, or \$70.6 million, of total expenses related directly to providing instruction to 8,363 students and 13.6%, or \$12.9 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 4.9%, or \$4.7 million, while administration for the schools and attendance and health services for students were 4.7%, or \$4.5 million. Capital outlays in the fund financial statements of \$2.4 million included the acquisition of equipment. Purchases from capital lease proceeds of \$1 million were included in capital outlay expenditures in the fund financial statements.

FUND FINANCIAL ANALYSIS

Governmental Funds

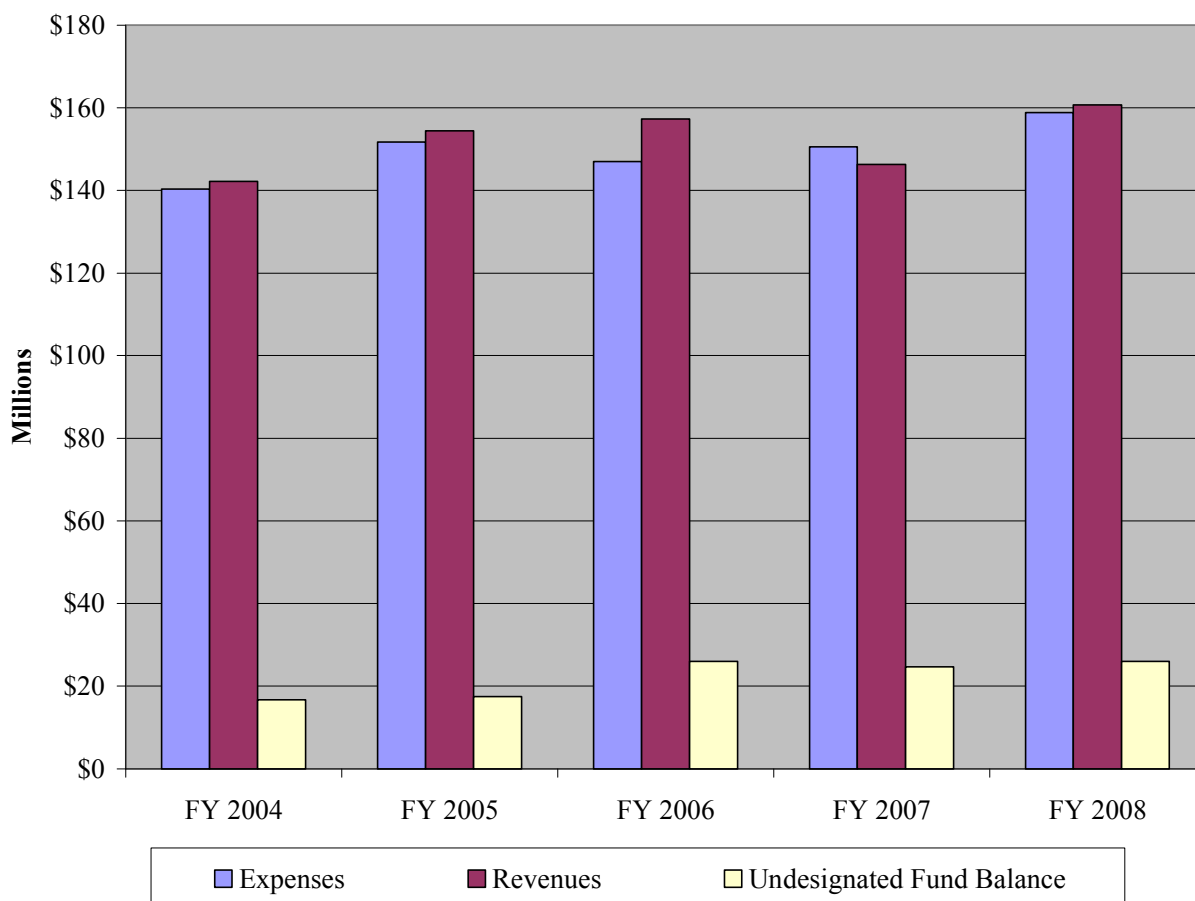
Governmental Funds include the General Fund, Special Revenue Funds and Capital Projects Funds. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for future spending.

- For FY 2008, the City's Governmental Funds reported combined fund balances of \$87.2 million, an increase of \$31.8 million from FY 2007. The General Fund's increase in fund balance was \$1.8 million. The City Capital Projects Fund increase in fund balance of \$32.1 million is mainly attributable to the Urban Construction Initiative grant funds. Special Revenue Funds decrease in fund balance is \$0.7 million and School Capital Projects Fund decrease in fund balance is \$1.4 million.
- The reserved portion of fund balance, which is not available for new spending, is comprised of \$46.7 million to liquidate contracts and purchase orders and \$0.5 million for advances. The designated portion of fund balance, \$6.8 million, is committed to specific uses. The commitments are comprised of \$2.7 million for Schools, \$0.4 million for health insurance, \$0.3 million for other post employment benefits, \$2.7 million for the City's self-insurance program, \$0.3 million in the Special Revenue Funds and \$0.4 million in the Capital Projects Funds. The undesignated portion of fund balance, \$33.1 million, is available for future expenditures and is represented by \$26 million in the General Fund; \$0.8 million in the Special Revenue Funds and \$6.3 million in the Capital Projects Funds.

General Fund

The General Fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues and undesignated fund balances as well as a FY 2008 summarized comparison of amended budget versus actual information.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2008
(in millions)

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 108.8	\$ 109.0	\$ 110.6	\$ 1.6
Intergovernmental	32.6	33.0	33.4	0.4
Other	11.7	12.8	12.4	(0.4)
Total	153.1	154.8	156.4	1.6
<u>Expenditures & Other Financing Uses</u>				
Expenditures	148.5	149.9	143.5	6.4
Transfers	9.5	11.1	11.1	-
Total	158.0	161.0	154.6	6.4
<u>Change in Fund Balance</u>	<u>\$ (4.9)</u>	<u>\$ (6.2)</u>	<u>\$ 1.8</u>	<u>\$ 8.0</u>

Actual expenditures and other financing uses of \$154.6 million were less than revenues and other financing sources of \$156.4 million by \$1.8 million, which resulted in a positive change in fund balance as opposed to the amended budget projected decrease of \$6.2 million. The FY 2008 adopted and amended budgets included the use of \$4.9 million and \$6.2 million, respectively, of the FY 2007 General Fund's undesignated fund balance primarily to resource a planned \$4.7 million transfer out for general government capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised December 2006), which states that funds in excess of the targeted fund balance of ten percent (10%) of General Fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, because of the increased actual revenues above the amended budget of \$1.6 million and the actual expenditures below the amended budget of \$6.4 million, there was a \$1.8 million increase in fund balance for FY 2008.

Actual revenues were greater than estimated and within 1.0%, or \$1.6 million, of the amended budget; however, the taxes category realized \$1.6 million more revenue than the amended budget. Personal Property taxes were levied in May 2008 and the actual billing exceeded the budget projection for FY 2008. Intergovernmental revenue was greater than anticipated in the amended budget by \$0.4 million primarily due to an increase of social services administration programs funded by federal and State funds. The Other revenue category was \$0.4 million less than the amended budget.

Actual expenditures and transfers were \$6.4 million less than the FY 2008 amended budget and attributable to the following unexpended appropriations:

- \$2 million for general government
- \$0.1 million for judicial
- \$1.6 million for public safety
- \$0.5 million for public works
- \$0.5 million for health and human services
- \$0.7 million for cultural and recreation, and community planning
- \$0.1 million for education
- \$0.9 million for debt service and issuance costs

During the FY 2008 budget process, the City budgeted for a debt service reserve in the amount of \$0.9 million. These funds were set aside for future debt service expenditures.

Consistent with Financial Policies, City Council appropriated \$1.2 million for a contingency reserve and authorized 67%, or \$0.8 million in expenditures, for public safety, capital projects, and administration. The remaining 33%, or \$0.4 million, reverted to undesignated fund balance, of which \$0.3 million was carried forward to partially fund the FY 2009 General Fund Reserve for Contingencies.

From the original budget of \$158.0 million, City Council approved budget amendments of 2%, or \$3.0 million, resulting in an amended budget of \$161.0 million. The budget amendments were primarily for the following purposes:

- \$0.9 million for prior year unexpended items requested to be re-appropriated in the current year to continue programs, and
- \$2.1 million for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2008 amendment was comprised primarily of \$0.2 million for general government, \$0.2 million for community development, \$0.2 million for public safety expenditures, \$0.7 million for capital projects, \$0.1 million for judicial, and \$0.7 million for social services programs.

City Capital Projects Fund

The City Capital Projects Fund accounts for the major construction projects of the City other than those financed by proprietary funds. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The following table presents a FY 2008 summarized comparison of amended budget versus actual information.

City Capital Projects Fund Budgetary Highlights For Fiscal Year Ended June 30, 2008 (in millions)

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Intergovernmental	\$ 35.0	\$ 43.6	\$ 24.0	\$ (19.6)
Issuance of Bonds	10.0	31.8	15.5	(16.3)
Transfers in	4.4	6.2	6.0	(0.2)
Other	-	-	0.6	0.6
Total	<u>49.4</u>	<u>81.6</u>	<u>46.1</u>	<u>(35.5)</u>
<u>Expenditures & Other Financing Uses</u>				
Expenditures	40.7	14.9	4.9	10.0
Capital Outlay	<u>8.7</u>	<u>59.2</u>	<u>9.1</u>	<u>50.1</u>
Total	<u>49.4</u>	<u>74.1</u>	<u>14.0</u>	<u>60.1</u>
<u>Change in Fund Balance</u>	<u>\$ -</u>	<u>\$ 7.5</u>	<u>\$ 32.1</u>	<u>\$ 24.6</u>

The City Capital Projects fund original budget includes appropriations for new projects while the amended budget includes prior year appropriations for projects which were carried forward to the current year. The amended budget also includes an adjustment from expenditures to capital outlay for public work projects originally categorized as maintenance projects.

Actual revenues and capital outlay expenditures were less than estimated due to the delayed start of several projects and the construction timeline for projects spanning over multiple years.

Remaining appropriations for ongoing projects and projects yet to begin will be carried forward to FY 2009.

Proprietary Funds

The proprietary funds are comprised of solid waste management, water, sewer, airport, and fleet services. The City accounts for the solid waste management, water, sewer, and airport as enterprise funds and fleet services as an internal service fund. In the budgetary management of the enterprise funds, the City has chosen to budget for principal retirement on long-term debt rather than depreciation. Further, the City uses two key financial indicators, fund balance and debt coverage ratios, found in financial policies adopted by City Council to ensure the enterprise funds' financial stability.

Water Fund

The Water Fund's total net assets of \$34.6 million increased less than 1%, or \$0.2 million, from FY 2007. Net assets invested in capital, net of related debt, of \$28.8 million increased 5%, or \$1.3 million, and were 83% of total net assets. This was primarily due to the continuation of the College Hill Water Treatment Plant renovations project and various water tank rehabilitation projects as well as the Alternate Disinfection projects at both Water Treatment Plants. Unrestricted net assets available to fund future expenses decreased by 17%, or \$1.2 million. Unrestricted net assets were 16%, or \$5.7 million, of total net assets. Operating revenues totaled \$11.3 million, and increased 9%, or \$0.9 million, primarily due to a 4% rate increase effective July 1, 2007 and higher water sales to Bedford County. Operating expenses totaled \$10 million and increased 19%, or \$1.6 million, primarily due to increased personal services and benefits costs and increased supplies and materials costs. Investment earnings decreased \$0.3 million. The fund balance ratio of 37% compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.29, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The Sewer Fund's total net assets of \$98.2 million increased 7%, or \$6.2 million, from FY 2007. Net assets invested in capital, net of debt, of \$78.6 million increased 5%, or \$3.8 million, due to completion of Combined Sewer Overflow (CSO) projects and \$12.4 million of Virginia Revolving Loan (VRL) Program new long-term debt. Net assets invested in capital, net of related debt, were 80% of total net assets. Unrestricted net assets available to fund future expenses increased by 14.5%, or \$2.5 million, due to the results of operations. Unrestricted net assets were 20%, or \$19.7 million, of total net assets. Operating revenues totaled \$17.9 million and increased 12%, or \$1.9 million, primarily due to a 4% rate increase effective July 1, 2007 and increased revenues from Rock-Tenn Company. Operating expenses totaled \$12.4 million and increased 16%, or \$1.7 million, primarily due to increased personal services and benefits costs, and increased operation and maintenance costs. Investment earnings decreased \$0.2 million. The fund balance ratio of 23% compared favorably City Council's financial policy target of 25%. The debt coverage ratio was 1.21, which compared favorably to City Council's adopted financial policy target of 1.2 and the CSO Order requirements. Please refer to the Statistical Section of this report for details.

Airport Fund

The Airport Fund's total net assets of \$34.7 million increased 12%, or \$3.8 million, from FY 2007. Net assets invested in capital, net of related debt, of \$34.4 million, increased 16%, or \$4.8 million, due to the runway extension project. Net assets invested in capital, net of related debt, were 99% of total net assets. Unrestricted net assets available to fund future expenses decreased 74%, or \$0.9 million, due to the use of previously accumulated capital funds for the runway extension project. Unrestricted net assets were 1%, or \$.3 million, of total net assets. Operating revenues totaled \$2.0 million, which represent no change from FY 2007. Operating expenses totaled \$3.7 million, an increase of 6%, or \$0.2 million, mainly due to an increase in depreciation expense. Capital contributions totaled \$5.1 million, a decrease of 36%, or \$2.8 million, which represented reduced federal contributions towards the runway extension project nearing completion.

Solid Waste Management Fund

The Solid Waste Management Fund's total net assets of \$16.2 million increased 2.5%, or \$.4 million, from FY 2007. Unrestricted net assets available to fund future expenses decreased 11%, or \$1.5 million, due to the results of operations as noted. Unrestricted net assets were 73%, or \$11.8 million, of total net assets. Operating revenues totaled \$6.3 million and decreased 14%, or \$1 million, due to the elimination of the solid waste flat fee by City Council in FY 2008. Operating expenses totaled \$7.5 million and increased 32%, or \$1.8 million, primarily due to increased landfill closure/post-closure care costs and increased depreciation due to a change in accounting method. The fund balance ratio of 103% compared favorably to City Council's financial policy target of 40%. Additionally, the debt coverage ratio was 3.94, which compared favorably to City Council's adopted financial policy target of 1.2.

See note 18 for additional information regarding the Solid Waste Management Fund and the creation of the Regional 2000 Services Authority in conjunction with other surrounding localities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$530.8 million as reflected in the following schedule. The Schools had \$2.5 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets As of June 30, 2008/2007 (in millions)									
	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2008	2007	2008	2007	2008	2007	2008-2007	2008	2007
Capital assets, not being depreciated:									
Land	\$ 9.8	\$ 9.1	\$ 5.8	\$ 5.8	\$ 15.6	\$ 14.9	5%	\$ -	\$ -
Construction in progress	14.2	14.6	30.4	31.5	44.6	46.1	-3%	-	-
Capital assets, being depreciated:									
Land improvements	16.2	13.7	15.8	15.6	32.0	29.3	9%	-	-
Buildings and improvements	186.5	181.8	40.0	37.1	226.5	218.9	3%	-	-
Infrastructure	198.0	192.2	291.5	263.2	489.5	455.4	7%	-	-
Machinery and equipment	36.0	32.8	10.8	11.0	46.8	43.8	7%	7.4	6.8
Less: Accumulated depreciation	(204.6)	(190.7)	(119.6)	(110.8)	(324.2)	(301.5)	8%	(4.9)	(4.7)
Total Capital Assets	<u>\$ 256.1</u>	<u>\$ 253.5</u>	<u>\$ 274.7</u>	<u>\$ 253.4</u>	<u>\$ 530.8</u>	<u>\$ 506.9</u>	<u>5%</u>	<u>\$ 2.5</u>	<u>\$ 2.1</u>

During FY 2008, the City's net increase in capital assets was 5.0% or \$23.9 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completion of runway extension projects at Lynchburg Regional Airport; financed by State and federal aviation entitlement funds.	\$ 15.9
Completion of several Combined Sewer Overflow (CSO) replacement projects; financed by a combination of VRL Program funds, State and federal CSO grants and general obligation bonds.	5.2
Completion of improvements to the College Hill Water Filtration plant, including an alternate disinfection building and water tank renovations; financed by general obligation bonds.	4.0
Completion of improvements to Old Graves Mill Road, including widening of the road between Timberlake Road and Tomahawk Industrial park and relocation of the intersection with Graves Mill Road; financed by general obligation bonds.	3.6
Completion of the phase IV landfill expansion project; financed by local pay-as-you-go capital monies.	2.1
Completion of a landscaping and hardscaping project at the Riverfront Depot Plaza; financed by general obligation bonds.	1.7
Completion of renovations to the Mill Lane and Fort Avenue water tanks; financed by general obligation bonds.	1.5

Completion of building renovations to the Information Technology building; financed by local pay-as-you-go capital monies.	1.1
Completion of the Cabell Street water line replacement project; financed by general obligation bonds.	.7
Completion of heating and ventilation upgrades at several Lynchburg City Schools, financed by local pay-as-you-go capital monies.	.7
Completion of a multi-use asphalt trail connecting Kemper Train Station to the Blackwater Creek Bikeway; financed by federal grant revenues through the Virginia Department of Rail and Public Transportation.	.5
<hr/>	
Total construction-in-progress converted to capital assets	\$ 38.1
On-going replacement of the vehicle fleet, financed through local operating monies.	3.5
Replacement of portable radios used by emergency communications, financed by local pay-as-you-go capital monies.	.5
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Total major asset events	\$ 42.1
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Construction-in-progress at the end of FY 2008 included additional CSO abatement projects, construction of a new Sandusky Middle School, construction of the new Juvenile and Domestic Relations Court, construction of the Breezewood Drive connecting road, additional renovations to the College Hill Water Filtration plant, and a variety of other building, street, bridge, water, sewer, airport, and recreation projects. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$275.9 million with \$148 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$127.9 million. Capital leases of \$0.9 million for the regional radio system joint venture and \$5.4 million for the human services facility were included, while liabilities for compensated absences and workers' compensation of \$5.4 million, landfill closure liability of \$3.6 million and other post employment benefits liability of \$1.9 million were excluded.

Long-term Debt Obligations As of June 30, 2008/2007 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2008	2007	2008	2007	2008	2007	2008-2007
General Obligation Bonds	\$ 117.4	\$ 108.6	\$ 63.6	\$ 52.3	\$ 181.0	\$ 160.9	12%
Revenue Bonds	-	-	84.4	74.9	84.4	74.9	13%
Literary Bonds	0.1	0.1	-	-	0.1	0.1	0%
General Obligation Notes	1.3	-	-	16.5	1.3	16.5	-92%
Note Payable	2.8	3.0	-	-	2.8	3.0	-7%
Capital Lease	6.3	6.8	-	-	6.3	6.8	-7%
Total	<u>\$ 127.9</u>	<u>\$ 118.5</u>	<u>\$ 148.0</u>	<u>\$ 143.7</u>	<u>\$ 275.9</u>	<u>\$ 262.2</u>	<u>5%</u>

Total new debt of \$55 million was issued, of which \$22.8 million was for governmental activities and \$32.2 million was for business-type activities. Governmental activities new long-term debt of \$22.8 million consisted of \$21.5 million from general obligation bonds; and, \$1.3 million of an outstanding principal balance from a Line of Credit Financing Agreement. The City issued a five-year general obligation bond anticipation note concurrent with this Financing Agreement to provide up to \$15.0 million of interim financing for qualifying capital improvements. Of the \$21.5 million from general obligation bonds, \$16.7 million was allocated as \$15.5 million for general government capital projects and \$1.2 million for Fleet public safety capital equipment. The remaining \$4.8 million was from a Series 2008 current refunding general obligation bond issue which retired the Series 1998B general obligation bonds. Business-type activities new long-term debt of \$32.2 million consisted of \$12.4 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects; and, \$19.8 million in general obligation bonds. Of the \$19.8 million from general obligation bonds, \$16.6 million was a Series 2007 current refunding general obligation bond issue to permanently finance \$10.3 million of water capital projects and \$6.3 million of sewer capital projects previously financed with two-year bond anticipation notes. The remaining \$3.2 million was from a Series 2008 current refunding general obligation bond issue which retired the Series 1998B general obligation bonds.

The City retired \$41.3 million of outstanding principal, which included \$24.6 million of refunded principal retirements and \$16.7 million as planned principal retirements. The governmental activities principal retirements of \$13.4 million consisted of \$4.8 million of refunded debt and \$8.6 million of planned retirements. The business-type activities principal retirements of \$27.9 million consisted of \$19.8 million of refunded debt and \$8.1 million of planned retirements.

The City's general obligation bonds continued to maintain an Aa3 rating from Moody's Investors Service, an AA rating from Standard and Poor's Rating Service, and an AA rating from Fitch Investors dated July 10, 2007 for the City's August 2, 2007 general obligation public improvement bonds Series 2007. Standard and Poor's utilized their Financial Management Assessment (FMA) model, which resulted in a "strong" ranking for the City's management practices, which is the highest ranking offered in this assessment. This "strong" ranking indicates that management practices, particularly related to fiscal and debt policies, are strong, well embedded, and likely sustainable. Because certain maturities of the August 2, 2007 bond issue were insured by MBIA as detailed in Note 9 Long-Term Liabilities, the City filed two notices of material events through DisclosureUSA in compliance with continuing disclosure requirements to the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRS). The first notice filed May 2, 2008 reported the downgrade by Fitch Ratings of MBIA's ratings and correspondingly the ratings of obligations insured by MBIA from "AAA" to "AA". The second notice filed July 16, 2008 reported the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Services from "AAA" to "A2" and Standard & Poor's Ratings Services from "AAA" to "AA" of MBIA's ratings, and correspondingly the rating of obligations insured by MBIA, including the Insured Bonds, to the extent based on the financial guaranty insurance policies issued by MBIA.

The Lynchburg School Board and Lynchburg City Council approved resolutions in March 2008 authorizing submission of the Literary Loan Program Fund application to the Virginia Department of Education Board for a \$7,500,000 loan to partially fund new construction of Sandusky Middle School. In July 2008, the Virginia Department of Education Board approved the application for a future loan with a three percent (3%) interest rate and placed this project on the First Priority Waiting List.

The City Council adopted Debt Management Policy was amended in December 2006 and limited tax-supported debt not to exceed 4.5%, rather than 5.0%, of net assessed valuation of taxable property in the City. As of the end of FY 2008, outstanding tax-supported debt was 2.26% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate grew from 4.3% in FY 2007 to 5.6% in FY 2008. This increase of 1.3% reflects the down turn in the economy that is being experienced through out the country. Even though the City has experienced an increase in the unemployment rate for the second year, the diversity of employers in the City has helped cushion the effect.

Lynchburg is no longer the manufacturing community of prior years. The City remains the retail hub for the region. Centra, the region's nonprofit health care provider, has remained the City's largest employer for the last nine years. The City's second largest employer is Jerry Falwell Ministries, Inc. (JFM), which includes Thomas Road Baptist Church, Liberty University, and Liberty Christian Schools. JFM employs twelve hundred more people than it did nine years ago. Enrollment at Liberty University was over 50,000 for the fall 2008 semester with 11,000 students on-campus and an additional 39,000 in the distance learning program. The other three colleges in the City continue to see moderate growth.

While most localities in Virginia are experiencing reductions in real estate assessments, the City experienced 22% growth in residential property between FY 2007 and FY 2008.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2008 Operating and Capital Budgets, and FY 2008-2012 Capital Improvement Program are on the City's web site at www.lynchburgva.gov.

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BASIC FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2008

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Schools	Other	
Assets						
Cash and cash equivalents	\$ 18,903,233	\$ 10,092,170	\$ 28,995,403	\$ 10,522,370	\$ 393,570	\$ 39,911,343
Investments	57,733,169	26,386,676	84,119,845	-	-	84,119,845
Receivables, net	18,368,275	4,619,460	22,987,735	216,046	773,006	23,976,787
Due from primary government	-	-	-	-	219,843	219,843
Due from other governments	4,481,832	20,680,384	25,162,216	4,103,780	101,891	29,367,887
Internal balances	5,070,293	(5,070,293)	-	-	-	-
Due from component units	272,918	-	272,918	-	-	272,918
Inventory	123,930	383,001	506,931	73,035	255,994	835,960
Prepays and other assets	2,840,213	-	2,840,213	-	17,545	2,857,758
Restricted assets:						
Cash and cash equivalents	13,027,029	373,189	13,400,218	507,055	-	13,907,273
Due from other governments	-	4,344,521	4,344,521	-	-	4,344,521
Deferred debt charges	1,419,743	995,561	2,415,304	-	-	2,415,304
Capital assets, net of accumulated depreciation:						
Land and improvements	22,129,999	8,517,381	30,647,380	-	55,031	30,702,411
Buildings and improvements	96,927,208	23,164,500	120,091,708	-	548,894	120,640,602
Machinery and equipment	16,462,714	2,640,872	19,103,586	2,555,643	5,910,094	27,569,323
Construction in progress	14,182,827	29,105,143	43,287,970	-	-	43,287,970
Infrastructure	106,404,766	211,252,364	317,657,130	-	-	317,657,130
Total assets	378,348,149	337,484,929	715,833,078	17,977,929	8,275,868	742,086,875
Liabilities						
Accounts payable and other liabilities	10,819,970	3,510,977	14,330,947	11,971,833	1,009,282	27,312,062
Accrued interest payable	1,474,050	820,956	2,295,006	-	-	2,295,006
Due to primary government	-	-	-	137,918	130,000	267,918
Due to component units	219,843	-	219,843	-	-	219,843
Unearned revenue	7,559,644	-	7,559,644	25,688	-	7,585,332
Liabilities payable from restricted assets	68,349	368,481	436,830	-	-	436,830
Noncurrent liabilities						
Due within one year	9,419,553	10,734,005	20,153,558	1,106,377	-	21,259,935
Due in more than one year	127,433,471	142,373,535	269,807,006	2,391,671	299,759	272,498,436
Total liabilities	156,994,880	157,807,954	314,802,834	15,633,487	1,439,041	331,875,362
Net assets						
Invested in capital assets, net of related debt	143,158,392	146,157,075	289,315,467	696,350	6,505,943	296,517,760
Restricted for:						
Capital projects	19,975,370	-	19,975,370	-	-	19,975,370
Passenger facility charges	-	4,708	4,708	-	-	4,708
Unrestricted	58,219,507	33,515,192	91,734,699	1,648,092	330,884	93,713,675
Total net assets	\$ 221,353,269	\$ 179,676,975	\$ 401,030,244	\$ 2,344,442	\$ 6,836,827	\$ 410,211,513

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 13,397,520	\$ 556,888	\$ 385,256	\$ -	\$ (12,455,376)	\$ -	\$ (12,455,376)	\$ -	\$ -	\$ (12,455,376)
Judicial	5,626,570	716,313	3,761,558	-	(1,148,699)	-	(1,148,699)	-	-	(1,148,699)
Public safety	43,152,656	5,059,318	6,047,324	-	(32,046,014)	-	(32,046,014)	-	-	(32,046,014)
Public works	21,511,617	198,841	7,161,260	24,048,928	9,897,412	-	9,897,412	-	-	9,897,412
Health and human services	27,078,262	2,458,875	17,571,521	-	(7,047,866)	-	(7,047,866)	-	-	(7,047,866)
Cultural and recreational	10,247,701	1,916,356	201,321	-	(8,130,024)	-	(8,130,024)	-	-	(8,130,024)
Community development	5,284,797	916,926	1,217,917	-	(3,149,954)	-	(3,149,954)	-	-	(3,149,954)
Education	36,727,401	-	-	865,253	(35,862,148)	-	(35,862,148)	-	-	(35,862,148)
Interest payments and other fiscal charges	5,821,141	-	-	-	(5,821,141)	-	(5,821,141)	-	-	(5,821,141)
Issuance costs	216,051	-	-	-	(216,051)	-	(216,051)	-	-	(216,051)
Total governmental activities	169,063,716	11,823,517	36,346,157	24,914,181	(95,979,861)	-	(95,979,861)	-	-	(95,979,861)
Business-type activities:										
Solid Waste Management	8,240,113	6,313,555	204,314	-	-	(1,722,244)	(1,722,244)	-	-	(1,722,244)
Airport	3,882,343	1,839,685	163,447	5,280,111	-	3,400,900	3,400,900	-	-	3,400,900
Water	11,406,440	11,269,882	-	-	-	(136,558)	(136,558)	-	-	(136,558)
Sewer	14,431,645	17,861,892	38,500	2,210,259	-	5,679,006	5,679,006	-	-	5,679,006
Total business-type activities	37,960,541	37,285,014	406,261	7,490,370	-	7,221,104	7,221,104	-	-	7,221,104
Total primary government	\$ 207,024,257	\$ 49,108,531	\$ 36,752,418	\$ 32,404,551	(95,979,861)	7,221,104	(88,758,757)	-	-	(88,758,757)
Component units:										
Schools	\$ 95,308,719	\$ 2,729,712	\$ 58,598,720	\$ -	-	-	-	(33,980,287)	-	(33,980,287)
Greater Lynchburg Transit Company	6,860,082	996,679	4,739,062	4,959,082	-	-	-	-	3,834,741	3,834,741
Business Development Centre	414,951	236,042	148,675	-	-	-	-	-	(30,234)	(30,234)
Total component units	\$ 102,583,752	\$ 3,962,433	\$ 63,486,457	\$ 4,959,082	-	-	-	(33,980,287)	3,804,507	(30,175,780)
General revenues:										
Property taxes					63,187,947	-	63,187,947	-	-	63,187,947
Local sales and use tax					14,266,750	-	14,266,750	-	-	14,266,750
Meals taxes					10,326,953	-	10,326,953	-	-	10,326,953
Consumer utility taxes					4,793,431	-	4,793,431	-	-	4,793,431
Business license taxes					8,010,597	-	8,010,597	-	-	8,010,597
Communications sales and use tax					3,893,158	-	3,893,158	-	-	3,893,158
Other taxes					5,827,855	-	5,827,855	-	-	5,827,855
Unrestricted intergovernmental					6,227,484	-	6,227,484	-	-	6,227,484
Interest					3,522,533	1,784,508	5,307,041	36,483	-	5,343,524
Miscellaneous					1,026,286	123,878	1,150,164	288,388	-	1,438,552
Gain on sale of assets					152,532	-	152,532	-	6,050	158,582
City appropriation					-	-	-	32,932,233	-	32,932,233
Transfers					(577,893)	577,893	-	-	-	-
Total general revenues and transfers					120,657,633	2,486,279	123,143,912	33,257,104	6,050	156,407,066
Changes in net assets					24,677,772	9,707,383	34,385,155	(723,183)	3,810,557	37,472,529
Net assets - beginning					196,675,497	169,969,592	366,645,089	3,067,625	3,026,270	372,738,984
Net assets - ending					\$ 221,353,269	\$ 179,676,975	\$ 401,030,244	\$ 2,344,442	\$ 6,836,827	\$ 410,211,513

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	City Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,897,791	\$ 3,874,000	\$ 3,338,463	\$ 18,110,254
Investments	22,393,372	30,559,804	3,764,769	56,717,945
Receivables, net of allowance				
Taxes excluding penalties	8,772,734	-	-	8,772,734
Accounts	8,138,370	-	-	8,138,370
Other	179,519	500,000	734,977	1,414,496
Due from other funds	1,403,866	1,022,944	117,375	2,544,185
Due from component units	137,918	-	135,000	272,918
Due from other governments	2,407,952	204,910	1,868,970	4,481,832
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	289,270	11,526,357	-	11,815,627
Total assets	\$ 54,620,792	\$ 47,688,015	\$ 9,959,767	\$ 112,268,574
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,555,947	\$ 1,867,048	\$ 1,361,365	\$ 4,784,360
Accrued liabilities	5,611,109	1,174	53,606	5,665,889
Due to other governments	74,203	-	20,251	94,454
Due to component units	219,843	-	-	219,843
Due to other funds	116,670	100,769	1,229,849	1,447,288
Deposits payable from restricted assets	68,349	-	-	68,349
Deferred revenue	12,408,906	-	401,235	12,810,141
Total liabilities	20,055,027	1,968,991	3,066,306	25,090,324
Fund balances:				
Reserved for:				
Encumbrances	2,406,773	16,074,577	28,257,679	46,739,029
Advances	-	500,000	-	500,000
Unreserved:				
Designated	6,151,679	-	-	6,151,679
Undesignated	26,007,313	-	-	26,007,313
Unreserved, reported in special revenue				
Designated	-	-	329,895	329,895
Undesignated	-	-	753,065	753,065
Unreserved, reported in capital projects				
Designated	-	352,062	-	352,062
Undesignated	-	28,792,385	(22,447,178)	6,345,207
Total fund balances	34,565,765	45,719,024	6,893,461	87,178,250
Total liabilities and fund balances	\$ 54,620,792	\$ 47,688,015	\$ 9,959,767	\$ 112,268,574

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008**

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds		\$ 87,178,250
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	256,107,514	
Less: Internal service capital assets	<u>(12,870,540)</u>	
		243,236,974
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		5,250,497
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		2,840,000
Internal service funds activity that has been allocated to the user departments.		3,996,625
Internal service funds are used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		11,513,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds payable	(119,591,610)	
Accrued interest payable	(1,474,050)	
Capital leases payable	(6,316,193)	
Notes payable	(2,840,000)	
Compensated absences	(4,119,136)	
Workers' compensation	(702,008)	
Other post-employment benefits obligation	<u>(1,768,605)</u>	
	(136,811,602)	
Add back: Internal Service bonds payable	4,034,265	
Add back: Internal Service accrued interest payable	68,818	
Add back: Internal Service compensated absences	33,847	
Add back: Internal Service other post-employment benefits obligation	<u>12,267</u>	<u>(132,662,405)</u>
Net assets of governmental activities		<u>\$ 221,353,269</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	City Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 110,636,590	\$ -	\$ 31,439	\$ 110,668,029
Regulatory licenses, permits and privilege fees	849,742	-	-	849,742
Intergovernmental	33,410,321	24,048,626	9,795,162	67,254,109
Fines and forfeitures	586,661	-	-	586,661
Revenue from use of money and property	3,308,104	568,400	967,444	4,843,948
Charges for services	7,198,099	-	3,957,557	11,155,656
Miscellaneous	452,272	30,802	552,903	1,035,977
Total revenues	156,441,789	24,647,828	15,304,505	196,394,122
Expenditures				
Current operating expenditures				
General government	14,561,922	-	592,310	15,154,232
Judicial	4,423,005	-	992,084	5,415,089
Public safety	36,703,695	-	4,121,772	40,825,467
Public works	11,257,662	4,852,354	28,893	16,138,909
Health and human services	18,890,171	-	7,430,110	26,320,281
Cultural and recreational	7,691,627	-	1,508,733	9,200,360
Community development	3,936,251	-	1,161,108	5,097,359
Education	32,932,233	-	102,702	33,034,935
Capital outlay				
Capital general government	-	9,118,390	3,442,949	12,561,339
Debt service				
Principal retirements	7,812,969	-	587,150	8,400,119
Interest payments and other fiscal charges	5,212,231	-	307,263	5,519,494
Issuance costs	127,866	88,185	-	216,051
Total expenditures	143,549,632	14,058,929	20,275,074	177,883,635
Excess (deficiency) of revenues over expenditures	12,892,157	10,588,899	(4,970,569)	18,510,487
Other financing sources (uses)				
Issuance of bonds	69,980	15,375,020	1,343,389	16,788,389
Premium on debt proceeds	-	167,163	-	167,163
Issuance of refunding bonds	4,106,224	-	717,904	4,824,128
Refunded bond principal payments	(4,048,996)	-	(707,898)	(4,756,894)
Transfers in	26,150	6,025,853	1,738,100	7,790,103
Transfers out	(11,257,106)	-	(300,285)	(11,557,391)
Total other financing sources (uses)	(11,103,748)	21,568,036	2,791,210	13,255,498
Net changes in fund balances	1,788,409	32,156,935	(2,179,359)	31,765,985
Fund balances - beginning	32,777,356	13,562,089	9,072,820	55,412,265
Fund balances - ending	\$ 34,565,765	\$ 45,719,024	\$ 6,893,461	\$ 87,178,250

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 31,765,985
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.

Capital outlay	14,477,202
Depreciation expense	(13,253,723)

The net effect of various miscellaneous transactions involving capital assets (sales, reduction in construction in progress, donated asset) is to decrease net assets.	162,411
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	477,581
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(8,843,118)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,094,052)
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To eliminate transfers to the internal service fund	3,189,395
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The net loss of certain activities of the internal service fund is reported with governmental activities.	(1,203,909)
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Change in net assets of governmental activities.	<u>\$ 24,677,772</u>
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Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 108,805,154	\$ 109,009,394	\$ 110,636,590	\$ 1,627,196
Regulatory licenses, permits and privilege fees	937,792	814,905	849,742	34,837
Intergovernmental	32,602,514	33,028,234	33,410,321	382,087
Fines and forfeitures	570,000	570,000	586,661	16,661
Revenue from use of money and property	1,871,560	2,985,082	3,308,104	323,022
Charges for services	7,929,564	7,983,576	7,198,099	(785,477)
Miscellaneous	376,179	465,806	452,272	(13,534)
Total revenues	153,092,763	154,856,997	156,441,789	1,584,792
Expenditures				
Current operating expenditures				
General government	17,922,593	16,567,787	14,561,922	2,005,865
Judicial	4,372,019	4,528,580	4,423,005	105,575
Public safety	37,480,142	38,273,677	36,703,695	1,569,982
Public works	12,729,002	11,760,703	11,257,662	503,041
Health and human services	17,889,783	19,395,379	18,890,171	505,208
Cultural and recreational	7,856,034	8,087,287	7,691,627	395,660
Community development	3,897,169	4,194,691	3,936,251	258,440
Education	32,567,730	33,070,151	32,932,233	137,918
Debt service				
Principal retirements	8,547,575	8,637,403	7,812,969	824,434
Interest payments and other fiscal charges	5,223,579	5,224,231	5,212,231	12,000
Issuance costs	-	164,425	127,866	36,559
Total expenditures	148,485,626	149,904,314	143,549,632	6,354,682
Excess of revenues over expenditures	4,607,137	4,952,683	12,892,157	7,939,474
Other financing sources (uses)				
Issuance of bonds	-	70,000	69,980	(20)
Issuance of refunding bonds	-	4,106,224	4,106,224	-
Refunded bond principal payments	-	(4,048,996)	(4,048,996)	-
Transfers in	46,150	78,937	26,150	(52,787)
Transfers out	(9,595,722)	(11,318,813)	(11,257,106)	61,707
Total other financing sources (uses)	(9,549,572)	(11,112,648)	(11,103,748)	8,900
Net changes in fund balances	(4,942,435)	(6,159,965)	1,788,409	7,948,374
Fund balances - beginning	32,777,356	32,777,356	32,777,356	-
Fund balances - ending	\$ 27,834,921	\$ 26,617,391	\$ 34,565,765	\$ 7,948,374

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 34,987,603	\$ 43,685,213	\$ 24,048,626	\$ (19,636,587)
Revenue from use of money and property	-	-	568,400	568,400
Miscellaneous	-	100	30,802	30,702
Total revenues	34,987,603	43,685,313	24,647,828	(19,037,485)
Expenditures				
Current operating expenditures				
Public works	40,747,455	14,902,465	4,852,354	10,050,111
Capital outlay				
Capital general government	8,673,266	59,110,122	9,118,390	49,991,732
Debt service				
Issuance costs	-	93,103	88,185	4,918
Total expenditures	49,420,721	74,105,690	14,058,929	60,046,761
Excess (deficiency) of revenues over expenditures	(14,433,118)	(30,420,377)	10,588,899	41,009,276
Other financing sources				
Issuance of bonds	10,007,628	31,629,559	15,375,020	(16,254,539)
Premium on debt proceeds	-	167,163	167,163	-
Transfers in	4,425,490	6,182,747	6,025,853	(156,894)
Total other financing sources	14,433,118	37,979,469	21,568,036	(16,411,433)
Net changes in fund balances	-	7,559,092	32,156,935	24,597,843
Fund balances - beginning	13,562,089	13,562,089	13,562,089	-
Fund balances - ending	\$ 13,562,089	\$ 21,121,181	\$ 45,719,024	\$ 24,597,843

Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds					Internal Service
	Solid Waste Management	Water	Sewer	Airport	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 3,894,289	\$ 2,484,306	\$ 2,876,089	\$ 837,486	\$ 10,092,170	\$ 792,979
Investments	11,490,342	2,826,536	12,069,798	-	26,386,676	1,015,224
Receivables, net of allowance						
Accounts	853,269	1,306,722	2,323,217	14,722	4,497,930	-
Other	335	50,604	42,661	27,930	121,530	42,675
Due from other governments	-	-	216,472	751,432	967,904	-
Inventory	-	383,001	-	-	383,001	123,930
Due from members - Regional Sewage Treatment Plant	-	-	387,468	-	387,468	-
Total current assets	16,238,235	7,051,169	17,915,705	1,631,570	42,836,679	1,974,808
Noncurrent assets:						
Due from other governments	-	-	19,325,012	-	19,325,012	-
Due from members - Regional Sewage Treatment Plant	-	-	4,344,521	-	4,344,521	-
Restricted assets:						
Cash and cash equivalents	-	368,481	-	4,708	373,189	1,211,402
Deferred debt charges	133,660	379,541	447,934	34,426	995,561	-
Capital assets, net of accumulated depreciation:	7,661,766	57,028,039	173,491,484	36,498,971	274,680,260	12,870,540
Total noncurrent assets	7,795,426	57,776,061	197,608,951	36,538,105	299,718,543	14,081,942
Total assets	24,033,661	64,827,230	215,524,656	38,169,675	342,555,222	16,056,750
Liabilities						
Current liabilities:						
Accounts payable	679,436	474,051	1,797,915	386,244	3,337,646	360,925
Accrued liabilities	21,984	87,309	62,376	20,932	192,601	14,118
Accrued interest payable	43,875	358,257	393,170	25,654	820,956	68,818
Due to other governments	42,214	1,837	-	-	44,051	15
Due to other funds	60,700	132,319	82,909	797,740	1,073,668	23,229
Current portion of general obligation bonds	544,502	1,408,763	1,810,056	234,910	3,998,231	247,008
Current portion of public utility revenue bonds	-	-	3,097,845	-	3,097,845	-
Current portion of landfill post closure liability	3,574,608	-	-	-	3,574,608	-
Total current liabilities	4,967,319	2,462,536	7,244,271	1,465,480	16,139,606	714,113
Noncurrent liabilities:						
Deposits payable from restricted assets	-	368,481	-	-	368,481	-
Self insurance claims	7	22,651	79,247	-	101,905	-
Compensated absences	848	190,565	122,241	48,804	362,458	29,785
Other post-employment benefits obligation	49,053	54,557	41,420	16,460	161,490	12,267
General obligation bonds	2,851,884	27,163,275	28,457,982	1,946,741	60,419,882	3,787,257
Public utility revenue bonds	-	-	81,327,800	-	81,327,800	-
Total noncurrent liabilities	2,901,792	27,799,529	110,028,690	2,012,005	142,742,016	3,829,309
Total liabilities	7,869,111	30,262,065	117,272,961	3,477,485	158,881,622	4,543,422
Net Assets						
Invested in capital assets, net of related debt	4,399,040	28,835,542	78,570,747	34,351,746	146,157,075	10,047,677
Restricted for:						
Passenger facility charges	-	-	-	4,708	4,708	-
Unrestricted	11,765,510	5,729,623	19,680,948	335,736	37,511,817	1,465,651
Total net assets	\$ 16,164,550	\$ 34,565,165	\$ 98,251,695	\$ 34,692,190	183,673,600	\$ 11,513,328
Reconciliation with business type activities in the statement of net assets:						
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments					(3,996,625)	
Total net assets of business-type activities					\$ 179,676,975	

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds					
	Solid Waste Management	Water	Sewer	Airport	Total	Internal Services
Operating revenues						
Charges for services and other operating revenues	\$ 6,313,555	\$ 11,269,882	\$ 17,861,892	\$ 1,839,685	\$ 37,285,014	\$ 2,629,234
Intergovernmental	-	-	-	132,487	132,487	-
Total operating revenues	6,313,555	11,269,882	17,861,892	1,972,172	37,417,501	2,629,234
Operating expenses						
Personal services and benefits	1,735,135	3,696,365	2,497,423	954,186	8,883,109	669,677
Operation and maintenance	1,182,370	1,439,712	2,653,861	710,025	5,985,968	1,851,864
Supplies and materials	809,041	1,409,039	906,778	117,270	3,242,128	46,628
Administration	752,468	1,299,889	2,025,740	231,223	4,309,320	3,004
Landfill closure and postclosure care	1,404,613	-	-	-	1,404,613	-
Other charges	58,990	55,342	35,078	15,683	165,093	22,041
Depreciation	1,523,214	2,072,079	4,296,493	1,720,304	9,612,090	2,240,956
Total operating expenses	7,465,831	9,972,426	12,415,373	3,748,691	33,602,321	4,834,170
Operating income (loss)	(1,152,276)	1,297,456	5,446,519	(1,776,519)	3,815,180	(2,204,936)
Nonoperating revenues (expenses)						
Interest income	714,888	343,836	691,799	33,985	1,784,508	83,733
Governmental grants	204,314	-	38,500	30,960	273,774	-
Passenger facility charges	-	-	-	185,815	185,815	-
Miscellaneous	81,774	28,142	5,800	8,162	123,878	120,358
Gain (loss) on disposition of assets	(805)	-	-	-	(805)	139,068
Interest on long-term debt	(243,528)	(1,331,124)	(1,838,986)	(108,456)	(3,522,094)	(177,453)
Total nonoperating revenues (expenses)	756,643	(959,146)	(1,102,887)	150,466	(1,154,924)	165,706
Income (loss) before contributions and transfers	(395,633)	338,310	4,343,632	(1,626,053)	2,660,256	(2,039,230)
Capital contributions	-	-	2,210,259	5,094,296	7,304,555	-
Transfers in	1,572,529	-	-	359,364	1,931,893	3,189,395
Transfers out	(813,500)	(215,500)	(325,000)	-	(1,354,000)	-
Change in net assets	363,396	122,810	6,228,891	3,827,607	10,542,704	1,150,165
Total net assets - beginning	15,801,154	34,442,355	92,022,804	30,864,583	173,130,896	10,363,163
Total net assets - ending	\$ 16,164,550	\$ 34,565,165	\$ 98,251,695	\$ 34,692,190	\$ 183,673,600	\$ 11,513,328
Reconciliation with business type activities in the statement of activities:						
Change in net assets - enterprise funds reports in this statement					10,542,704	
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments					(835,321)	
Change in net assets of business-type activities:					\$ 9,707,383	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds					Internal Service
	Solid Waste Management	Water	Sewer	Airport	Total	
Operating activities						
Cash received from operations	\$ 6,343,403	\$ 11,385,499	\$ 17,640,371	\$ 1,993,010	\$ 37,362,283	\$ 2,629,234
Cash paid to employees	(1,770,242)	(3,577,926)	(2,342,474)	(922,335)	(8,612,977)	(652,499)
Cash paid to suppliers	(3,331,263)	(4,323,361)	(5,608,159)	(1,081,542)	(14,344,325)	(1,855,915)
Net cash provided from (used in) operating activities	1,241,898	3,484,212	9,689,738	(10,867)	14,404,981	120,820
Noncapital financing activities						
Intergovernmental grants	204,314	-	38,500	-	242,814	-
Transfers in	1,572,529	-	-	359,364	1,931,893	3,189,395
Transfers out	(813,500)	(215,500)	(325,000)	-	(1,354,000)	-
Net cash provided from (used in) noncapital financing activities	963,343	(215,500)	(286,500)	359,364	820,707	3,189,395
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
General obligation bonds	-	11,500,452	8,225,087	149,385	19,874,924	1,202,582
Payment of long-term debt:						
General obligation bonds	(1,112,762)	(2,839,131)	(4,207,969)	(425,604)	(8,585,466)	(181,144)
Revenue bonds	-	-	(2,909,118)	-	(2,909,118)	-
Bond anticipation notes	-	(10,000,000)	(6,500,000)	-	(16,500,000)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	-	9,950,483	-	9,950,483	-
Payment of interest on long-term debt	(196,819)	(1,361,471)	(1,835,375)	(102,572)	(3,496,237)	(159,204)
Decrease in due to other funds	-	-	-	(815,000)	(815,000)	-
Capital contributions received	-	-	2,088,188	9,590,247	11,678,435	-
Passenger facility charges collected	-	-	-	197,610	197,610	-
Proceeds from sale of capital assets	-	-	-	-	-	269,522
Additions to capital assets	(2,322,524)	(6,520,293)	(14,968,192)	(8,751,426)	(32,562,435)	(3,548,385)
Proceeds from (Payments to) other governments	-	-	356,478	-	356,478	-
Proceeds from (payments to) other organizations	73,564	(59,846)	(14,708)	8,162	7,172	96,728
Net cash used in capital and related financing activities	(3,558,541)	(9,280,289)	(9,815,126)	(149,198)	(22,803,154)	(2,319,901)
Investing activities						
Net purchase of investments	2,935,261	630,338	(5,629,194)	-	(2,063,595)	(1,015,224)
Interest income received	714,888	433,011	777,109	35,358	1,960,366	83,733
Net cash provided by (used in) investing activities	3,650,149	1,063,349	(4,852,085)	35,358	(103,229)	(931,491)
Net increase (decrease) in cash and cash equivalents	2,296,849	(4,948,228)	(5,263,973)	234,657	(7,680,695)	58,823
Cash and cash equivalents						
Beginning	1,597,440	7,801,015	8,140,062	607,537	18,146,054	1,945,558
Ending	<u>\$ 3,894,289</u>	<u>\$ 2,852,787</u>	<u>\$ 2,876,089</u>	<u>\$ 842,194</u>	<u>\$ 10,465,359</u>	<u>\$ 2,004,381</u>
Reconciliation to Statement of Net Assets						
Current Assets	\$ 3,894,289	\$ 2,484,306	\$ 2,876,089	\$ 837,486	\$ 10,092,170	\$ 792,979
Restricted Assets	-	368,481	-	4,708	373,189	1,211,402
	<u>\$ 3,894,289</u>	<u>\$ 2,852,787</u>	<u>\$ 2,876,089</u>	<u>\$ 842,194</u>	<u>\$ 10,465,359</u>	<u>\$ 2,004,381</u>

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds					Internal Service
	Solid Waste Management	Water	Sewer	Airport	Total	
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities						
Operating income (loss)	\$ (1,152,276)	\$ 1,297,456	\$ 5,446,519	\$ (1,776,519)	\$ 3,815,180	\$ (2,204,936)
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:						
Depreciation	1,523,214	2,072,079	4,296,493	1,720,304	9,612,090	2,240,956
Landfill closure and postclosure cost	290,339	-	-	-	290,339	-
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	29,848	115,617	(221,521)	20,838	(55,218)	-
Increase in inventory	-	(10,691)	-	-	(10,691)	(39,661)
Increase (decrease) in trade accounts payable	543,677	(62,391)	66,706	(5,380)	542,612	113,458
Increase (decrease) in accrued expenses	(33,254)	103,654	145,333	29,300	245,033	15,377
Increase (decrease) in due to other funds	(1,853)	14,785	9,616	2,551	25,099	1,801
Increase (decrease) in due to other governments	42,203	(75,623)	(53,408)	(1,961)	(88,789)	(6,175)
Increase in deposits payable	-	29,326	-	-	29,326	-
Net cash provided from (used in) operating activities	\$ 1,241,898	\$ 3,484,212	\$ 9,689,738	\$ (10,867)	\$ 14,404,981	\$ 120,820
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ -	\$ 86,778	\$ 14,935	\$ 2,030	\$ 103,743	\$ -
Capital asset additions financed by retainage payable	-	32,451	344,139	-	376,590	-
Capital asset additions financed by accounts payable	-	324,272	1,272,868	329,635	1,926,775	-
Undrawn public utility revenue bond proceeds	-	-	19,325,012	-	19,325,012	-
Amortization of debt related items	56,133	61,527	89,690	13,679	221,029	(2,361)

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

Assets

Cash and cash equivalents	\$ 617,103
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Total assets

\$ 617,103

Liabilities

Accounts payable	\$ 4,245
Due to other governments	135,756
Amounts held for others	477,102

Total liabilities

\$ 617,103

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Lynchburg, Virginia (the "City") was founded by John Lynch in 1757, chartered as a town in 1786 and incorporated as a town on January 10, 1805 and received independent City status in 1852. The City operates on a Council-Manager form of Government and provides all municipal services to its residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units: The component units' columns in the combined financial statements include the data of the City's three component units. They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of these component units are appointed by City Council.

Lynchburg City Schools: The Lynchburg City Schools (the "Schools") operates one pre-school, twelve elementary (including one used for special education), three middle schools and two high schools in the City. The Schools are fiscally dependent on the City because the Schools' operational and capital budgets are funded approximately 42% by the City. In addition, the Schools are prohibited from issuing bonded debt without approval of City Council.

Business Development Centre, Inc.: The Business Development Centre, Inc. (the "Centre") provides business advisory services to small businesses in the Central Virginia area, operates a business incubator, and provides financing for qualifying businesses under certain federal programs. The City provides financial support to the Centre by leasing to the Centre, at a nominal amount, the facility which houses the Centre's operations. As part of the operating agreement with the Centre, the City agrees to advance operating funds to the Centre to cover working capital needs. The City has agreed to provide local matching funds under the revolving loan fund program.

Greater Lynchburg Transit Company: The Greater Lynchburg Transit Company ("GLTC") was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. GLTC is organized as a not-for-profit stock corporation with the City of Lynchburg as the sole stockholder. The capital for the purchase of the Company's assets has been provided by federal, state, and local grants, and GLTC is dependent on various operating grants to subsidize operations. The City provides financial support to GLTC through the assumption of the obligation to finance GLTC's deficits and through annual appropriations for the GLTC operating budget.

Complete financial statements of the individual component units can be obtained directly from their administrative offices at the addresses listed below. The Lynchburg City Schools financial statements are not separately prepared, but are included in this financial report.

Business Development Centre, Inc.
147 Mill Ridge Road
Lynchburg, Virginia 24502

Greater Lynchburg Transit Company
Post Office Box 797
Lynchburg, Virginia 24505-0797

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: The following entities are excluded from the accompanying financial statements:

Blue Ridge Regional Jail Authority: The Blue Ridge Regional Jail Authority (the “Authority”) was created by certain Member Jurisdictions for the purpose of developing and operating a regional jail system to be established by acquiring, renovating and expanding certain existing jail facilities and constructing additional jail facilities. The Member Jurisdictions are the Cities of Lynchburg and Bedford and the Counties of Halifax, Bedford, and Campbell. The Authority began operating the existing jail facilities in the Member Jurisdiction on July 1, 1998.

The City sold its existing jail facilities to the Authority during FY 1997. A new central jail facility was constructed in Lynchburg and opened in FY 2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2008, the City paid \$3,589,797 to the Authority.

Central Virginia Community Services Board: The City, in conjunction with the counties of Amherst, Appomattox, Bedford and Campbell and the City of Bedford participate in the Central Virginia Community Services Board (“CVCSB”), which is composed of two members from each of the participating localities. The City appropriated \$469,644 for an operating contribution to the CVCSB for FY2008.

Regional Commission 2000: The City serves as the Local Workforce Investment Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Investment Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2008, the Regional Commission 2000 received \$1,089,250 in grant funds.

Joint Venture: The City participates in an intergovernmental agreement with the Counties of Amherst and Bedford and the City of Bedford for the operation of a regional radio communication system. The Central Virginia Regional Radio Communications Board is responsible for overseeing the management, operation and administration of the system. The project was financed originally by lease revenue bonds of the Industrial Development Authority of Amherst County and the City of Bedford (in the amount of \$9,931,000 with interest at 5.72%), and the leasing of the project to the participating jurisdictions. On August 1, 2004, this lease revenue bond was refinanced with a \$5,075,000 lease revenue note at 3.30% and a July 2011 maturity. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction’s payment percentage as defined in the agreement. The City’s participating interest is 33.10%. Future minimum lease payments in the amount of \$886,168 are included in the governmental activities noncurrent liabilities. An asset in the amount of \$1,196,122 is shown in the governmental activities capital assets, net of accumulated depreciation. Separate financial statements of this joint venture are not available.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Related Organizations: The following entities are excluded from the accompanying financial statements:

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* (“Code”), the Commonwealth of Virginia (“Commonwealth”) created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the “LRHA”) which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2008, the City appropriated \$438,016 to the LRHA from the Community Development Block Grant Fund.

Industrial Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the “IDA”). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA.

Other Boards and Commissions: City Council appoints certain members of various boards and commissions’ governing bodies as provided under state and local laws and ordinances. The boards and commissions are advisory in nature and City Council is not financially accountable for these organizations.

B. Basis of Presentation

The accompanying financial statements present the government and its component units legally separate entities for which the City is financially accountable. As permitted in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its enterprise funds Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Government-wide Statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types:

General Fund: The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue, other than major capital projects, that are legally restricted to expenditures for specified purposes. These funds consist of the City Federal/State Aid Projects, Community Development Block Grant, Lynchburg Business Development Centre, Museum System, Law Library, Forfeited Assets, Comprehensive Services Act, Lynchburg Expressway Appearance, Home Investment Trust, Detention Home, Technology Services, and Baseball Stadium.

Capital Projects Funds: Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. These funds consist of the City Capital Projects Fund and the School Capital Projects Fund.

Proprietary Fund Types:

Enterprise Funds: Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These funds consist of the Water, Sewer, Solid Waste Management, and Airport Funds.

The total enterprise funds columns in the proprietary fund statement of net assets and activities are essentially equal to the business-type activity column in the government wide statements, with the exception of the impact of allocating internal service fund activity.

Internal Service Funds: Internal Service Funds account for the financing of goods and services supplied to other funds of the City on a cost-reimbursement basis. A Fleet Management Fund has been established to account for the operation and maintenance of City vehicles.

Fiduciary Fund Types:

Agency Funds: Agency Funds account for assets held by the City as an agent or custodian for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds consist of the Special Welfare and Central Virginia Regional Radio Board Funds.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both “measurable” and “available.” Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period for most revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the City, are recognized as revenues and receivables when measurable and available.

Expenditures in governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exceptions to this general rule are principal and interest on general long-term debt, which are recognized when due.

Proprietary fund types utilize the accrual basis of accounting. Revenues are recognized when earned, including unbilled utility receivables and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the City’s internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds are unlike all other fund types, reporting only assets and liabilities; therefore, agency funds do not have a measurement focus. The agency fund utilizes the accrual basis of accounting to recognize receivables and payables.

The City reports two major governmental funds, the General Fund and the City Capital Projects Fund.

The City reports the following major proprietary funds: The Water Fund, Sewer Fund, Airport Fund and Solid Waste Management Fund.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

All governmental and proprietary funds have legally adopted budgets. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, Airport and Solid Waste Management Funds. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Airport, Solid Waste Management, Capital Projects and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as a reservation of fund equity and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The Code of Virginia requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.
- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets

- **Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

- **Investments**

Investments for the government as well as for its component units are reported at fair value. Interest earned by certain funds of the Schools and City Capital Projects Fund are allocated to the General Fund. All other interest is allocated to the fund which owns the underlying investments.

- **Receivables**

The City calculates its allowance for uncollectible accounts using historical collection data, and specific account analysis. Receivables are presented net of allowance for doubtful accounts. The allowance is composed of the following:

General Fund, property taxes and other receivables	\$	1,307,519
General Fund, ambulance receivables	\$	1,071,345
Enterprise Funds	\$	167,948

- **Inventory**

Inventory in the Water and Internal Service Funds is valued at cost using the first-in, first-out (FIFO) method. This inventory consists principally of spare parts and fuel held for consumption. The cost is recorded as an expense at the time individual inventory items are withdrawn for use.

- **Capital Assets**

Governmental funds: Capital outlays are recorded as expenditures on the fund basis and as assets on the government-wide financial statements to the extent the City's capitalization thresholds of \$5,000 for equipment and \$20,000 for buildings, infrastructure and land improvements is met. Infrastructure has been capitalized retroactively to 1980. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Schools' buildings and other facilities are capital assets for the City government and not for the component unit.

Works of art, historical treasures, and similar assets have not been capitalized because of the following factors. The works of art at the City are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. The collection is protected, kept unencumbered, cared for, and preserved. The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Proprietary Funds: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **Capital Assets (Continued)**

The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2008, the enterprise funds incurred interest costs of \$3,625,838 of which \$103,744 was capitalized.

The City depreciates landfill assets based on the percentage of capacity filled. All other capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	15-20
Buildings and improvements:	
New construction	30-40
Improvements	15-20
Infrastructure	30-50
Machinery and equipment	5-10

- **Deferred Revenue**

Deferred revenue consists primarily of property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years.

- **Compensated Absences**

City employees accumulate vacation time depending upon their length of service up to a total of 288 hours. All outstanding vacation time is payable upon termination of employment. The current portions are recorded as liabilities in the governmental fund financial statements when they have matured as a result of employee resignations and retirements. In proprietary funds, both the expenses and the liabilities are recorded as benefits as earned. All vacation pay is accrued when incurred in the government-wide financial statements. Each operating fund is responsible for covering its share of vacation pay liability.

- **Arbitrage Rebate Liability**

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the City temporarily invests the proceeds of tax exempt debt in securities with higher yields. The City treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund.

- **Interfund Transactions**

The City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, or satisfy certain obligations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers and other charges between the enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Subsidies between funds are recorded as transfers.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

• Net Assets/Fund Equity

Net Assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, City funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and reported revenues, expenditures and expenses. Actual results could differ.

Note 2. Cash and Investments

Deposits:

All City and School Board cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. Seq.* of the *Code*, or covered by federal depository insurance.

Investments:

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the City's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The Investment Policy specifies that no investment may have a maturity greater than one year from the date of purchase, unless matched to a specific cash flow.

Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody's Investor Service and A-1 or higher by Standard & Poor's, provided that the issuing domestic corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody's and Standard and Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated A or better by Moody's and Standard & Poor's.

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 2. Cash and Investments (Continued)

Credit Risk: (Continued)

As of June 30, 64% of the portfolio was invested in “AAA” rated obligations, 1% was invested in “AA” rated securities, 2% was invested in “AA-” rated securities, 4% was invested in “A” rated short-term notes and 29% was invested in an “AAAm” rated LGIP fund. The portion of the portfolio that was rated “AAA”, had 10% invested in obligations guaranteed by the U.S. Government. All credit ratings presented in this paragraph are Standard & Poor’s ratings.

Concentration of Credit Risk:

The Policy’s intent is for the City to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. The Policy places a limit on the amount the City may invest in any single financial institution at no more than 50% of the City’s total investments.

As of June 30, investment types that exceed 5% of the portfolio were as follow:

<u>Investment Type</u>	<u>% of Portfolio</u>
Federal Home Loan Mtg Corp	16%
Federal National Mortgage Association	17%
Federal Home Bank	17%

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase and banker’s acceptances must mature within 180 days of the date of purchase.

As of June 30, the carrying values and weighted average maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>
Money Market Funds – LGIP	\$ 37,494,484	-
Repurchase Agreements	5,360,000	1
U.S. Treasury Bills	3,780,379	103
U.S. Treasury Notes	9,249,762	174
Federal Home Loan Mortgage Corporation	20,211,336	151
Federal National Mortgage Association	21,248,551	99
Federal Farm Credit Bank	6,548,574	218
Federal Home Loan Bank	21,354,951	107
Certificate of Deposits	2,920,675	26
Total investments	<u>\$ 128,168,712</u>	
Portfolio weighted average maturity		85

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 2. Cash and Investments (Continued)

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in the safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all investments are held in a bank’s trust department in the City’s name.

Restricted cash and temporary cash investments of the General and Enterprise Funds include certain deposits, unexpended bond proceeds and amounts related to the Passenger Facility Charge Program at the Airport. The Schools Component Unit’s restricted cash and temporary cash investments consist of capital lease proceeds restricted for the purpose of acquiring school equipment.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 20,550	\$ 500
Deposits	8,227,038	1,850,736
Investments	118,884,981	9,283,731
	<u>\$ 127,132,569</u>	<u>\$ 11,134,967</u>
Statement of net assets:		
Cash and cash equivalents	\$ 28,995,403	\$ 10,522,370
Investments	84,119,845	-
Restricted cash and cash equivalents	13,400,218	507,055
Fiduciary fund cash and cash equivalents	617,103	105,542
	<u>\$ 127,132,569</u>	<u>\$ 11,134,967</u>

Note 3. Property Taxes

Real Estate taxes are levied on a fiscal year basis on July 1, the assessment date, and become a lien as of that date. Supplemental billings are processed through the current tax year to ensure timely recordation. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15.

Personal property taxes are payable in two equal installments on June 5 and December 5. Additional billings for personal property acquisitions are due March 5 and September 5.

A penalty of 10% for late payment is assessed on the day after the due date and interest at the rate of 10% is assessed on unpaid balances beginning with the first day of the month following the due date. The City bills and collects its own property taxes.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2008

Note 4. Interfund Receivables, Payables and Transfers

Interfund balances at June 30 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 1,403,866	\$ 116,670
Major Fund – Capital Projects:		
City Capital Projects	1,022,944	100,769
Nonmajor Funds – Special Revenue:		
City Federal/State Aid Projects	-	308,594
Community Development Block Grant	-	155,204
Lynchburg Business Development Centre	-	10,000
Comprehensive Services Act	-	518,744
Home Investment Trust	-	83,256
Detention Home	116,670	154,051
Technology Services	705	-
Major Proprietary Funds:		
Solid Waste Management	-	60,700
Water	-	132,319
Sewer	-	82,909
Airport	-	797,740
Internal Service	-	23,229
	<u>\$ 2,544,185</u>	<u>\$ 2,544,185</u>

Interfund receivables for governmental funds primarily represent advances to special revenue funds and proprietary funds to be repaid with future grant revenues.

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 26,150	\$ 11,257,106
Nonmajor Funds – Special Revenue:		
City Federal/State Aid Projects	223,261	10
Museum System	-	19,805
Law Library	-	26,150
Forfeited Assets	10	39,320
Technology Services	818,042	215,000
Baseball Stadium	194,467	-

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 4. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers were as follows: (Continued)

	<u>To</u>	<u>From</u>
Major Fund– Capital Projects		
City Capital Projects	\$ 6,025,853	\$ -
Nonmajor Fund – Capital Projects		
School Capital Projects	502,320	-
Major Proprietary Funds:		
Solid Waste Management	1,572,529	813,500
Water	-	215,500
Sewer	-	325,000
Airport	359,364	-
Internal Service	3,189,395	-
	<u>\$ 12,911,391</u>	<u>\$ 12,911,391</u>

Transfers between major funds (general, capital projects and proprietary) and other nonmajor governmental funds were primarily to support capital projects, operations and the purchase of fleet vehicles and equipment.

Note 5. Due From/To Primary Government and Component Units

Due from/to balances between the City and its component units at June 30, were as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Major Funds:		
General	\$ 137,918	\$ 219,843
Nonmajor Funds – Special Revenue:		
Lynchburg Business Development Centre Fund	135,000	-
	<u>\$ 272,918</u>	<u>\$ 219,843</u>
Component Units:		
Lynchburg City Schools	\$	\$ 137,918
Business Development Centre, Inc.	-	130,000
Greater Lynchburg Transit Company	219,843	-
	<u>\$ 219,843</u>	<u>\$ 267,918</u>

At the end of fiscal year 2008, Lynchburg Business Development Centre, Inc disbursed a payment to the City of Lynchburg for \$5,000 to be applied to their liability with the City. However, the payment was not received by the City until July 2008 which created a deposit in transit, and is therefore not reflected on the City's records as a payment in fiscal year 2008.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 6. Due From Other Governments

Amounts due from other governments at June 30 were as follows:

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 4,481,832	\$ 967,904	\$ 3,081,163	\$ 101,891
Virginia Revolving Loan	-	19,325,012	-	-
Members of Regional Sewage Treatment Plant	-	4,731,989	-	-
	<u>\$ 4,481,832</u>	<u>\$ 25,024,905</u>	<u>\$ 3,081,163</u>	<u>\$ 101,891</u>

Due from members of the Regional Sewage Treatment Plant:

Amounts due from members of the Regional Sewage Treatment Plant represent amounts due from Amherst County, the Bedford County Public Service Authority and the Campbell County Utilities and Service Authority for their proportionate share (20%) of improvements to Joint-Use Facilities under a 1974 agreement (the "Agreement"). These Joint-Use Facilities are defined as the City's Regional Waste Water Treatment Plant and its immediately related treatment facilities used jointly by the City and one or more of the members in connection with the transmission or treatment of wastes made the subject of the Agreement. The cost of improvements are billed to each member and recorded as contributed capital when related projects are completed. Pursuant to Section VI (b) of the Agreement, each member shall have the option of paying its proportionate share of the cost of projects either in cash or on a deferred payment schedule coinciding with the period over which the City's bonds are amortized, plus interest at the rate equivalent to the net interest cost to the City. The members have elected to pay their share of improvements coinciding with the City's. Future payments to be received are as follows:

Amount receivable within 1 year	\$ 387,468
Amount receivable 1 to 5 years	1,936,106
Amount receivable beyond 5 years	<u>2,408,415</u>
	<u>\$ 4,731,989</u>

Note 7. Receivables

Receivables as of June 30, net of allowances for uncollectible accounts are as follows:

	Property Taxes	Accounts	Other	Total
Major funds:				
General	\$ 8,772,734	\$ 8,138,370	\$ 179,519	\$ 17,090,623
City Capital Projects	-	-	500,000	500,000
Solid Waste Management	-	853,269	335	853,604
Water	-	1,306,722	50,604	1,357,326
Sewer	-	2,323,217	42,661	2,365,878
Airport	-	14,722	27,930	42,652
Internal Service	-	-	42,675	42,675
Nonmajor Governmental Funds	-	-	734,977	734,977
	<u>\$ 8,772,734</u>	<u>\$ 12,636,300</u>	<u>\$ 1,578,701</u>	<u>\$ 22,987,735</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 8. Capital Assets

Primary Government:

A summary of the changes in the City's capital assets for governmental activities is as follows:

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 9,093,018	\$ 714,939	\$ 16,500	\$ 9,791,457
Construction in progress	14,615,876	13,948,298	14,381,347	14,182,827
Total capital assets, not being depreciated	23,708,894	14,663,237	14,397,847	23,974,284
Capital assets, being depreciated:				
Land improvements	13,686,604	2,544,961	-	16,231,565
Buildings and improvements	181,801,759	4,783,276	89,582	186,495,453
Infrastructure	192,242,240	5,813,753	-	198,055,993
Machinery and equipment	32,825,416	4,864,609	1,752,230	35,937,795
Total capital assets, being depreciated	420,556,019	18,006,599	1,841,812	436,720,806
Less – accumulated depreciation for:				
Land improvements	2,926,980	966,043	-	3,893,023
Buildings and improvements	84,224,789	5,375,556	32,100	89,568,245
Infrastructure	86,001,868	5,649,359	-	91,651,227
Machinery and equipment	17,566,627	3,503,721	1,595,267	19,475,081
Total accumulated depreciation	190,720,264	15,494,679	1,627,367	204,587,576
Total capital assets, being depreciated	229,835,755	2,511,920	214,445	232,133,230
Governmental activities capital assets, net	\$ 253,544,649	\$ 17,175,157	\$ 14,612,292	\$ 256,107,514

Included above is property with a cost and net book value of \$9,590,304 and \$6,732,788, respectively, at June 30 financed by capital leases.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 620,710
Education	3,557,141
Judicial	198,546
Health and human services	445,851
Public safety	1,892,372
Public works	7,155,037
Community development	23,813
Cultural and recreational	760,503
	<hr/>
Total governmental activities	14,653,973
	<hr/>
Business-type activities:	
Solid Waste Management	530,504
Water	105,027
Sewer	179,790
Airport	25,385
	<hr/>
Total business-type activities	840,706
	<hr/>
Total depreciation	\$ 15,494,679
	<hr/>

The Fleet Internal Services Fund, whose assets are reported as a part of the City's governmental assets, purchases vehicles that are used by the City's Enterprise Funds. Depreciation related to those vehicles is allocated to the Enterprise Funds. In prior years, the City Capital Projects fund, on occasion, would construct assets that were used primarily by the Enterprise Funds. Depreciation on these assets is also allocated to the Enterprise Funds. The \$840,706 of business type depreciation reflected above is the allocation of this depreciation and is not reflected on the business type activities asset information reported below.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

A summary of the changes in the City's capital assets for business-type activities is as follows:

Business-type Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 5,808,660	\$ 13,400	\$ -	\$ 5,822,060
Construction in progress	25,946,029	30,273,695	31,511,809	24,707,915
Total capital assets, not being depreciated	31,754,689	30,287,095	31,511,809	30,529,975
Capital assets, being depreciated:				
Land improvements	15,562,120	238,705	-	15,800,825
Buildings and improvements	37,119,024	2,838,990	-	39,958,014
Infrastructure	263,193,473	28,460,918	110,200	291,544,191
Machinery and equipment	11,011,827	471,822	687,041	10,796,608
Capitalized interest	5,591,529	103,744	-	5,695,273
Total capital assets, being depreciated	332,477,973	32,114,179	797,241	363,794,911
Less – accumulated depreciation for:				
Land improvements	12,440,923	664,581	-	13,105,504
Buildings and improvements	15,602,654	1,190,860	-	16,793,514
Infrastructure	73,356,384	7,045,643	110,200	80,291,827
Machinery and equipment	8,242,797	599,175	686,236	8,155,736
Capitalized interest	1,186,215	111,830	-	1,298,045
Total accumulated depreciation	110,828,973	9,612,089	796,436	119,644,626
Total capital assets, being depreciated	221,649,000	22,502,090	805	244,150,285
Business-type activities capital assets, net	\$ 253,403,689	\$ 52,789,185	\$ 31,512,614	\$ 274,680,260

In FY 2008, the City changed depreciation methods from straight-line to a percentage of capacity filled method for Landfill assets. This change resulted in an increase in depreciation expense of \$618,217 for infrastructure assets and \$146,255 for land improvement assets.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 8. Capital Assets (Continued)

Component Units:

A summary of changes in the capital assets of the Schools is as follows:

<u>Lynchburg City Schools</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
Capital assets, being depreciated				
Equipment	\$ 6,269,762	\$ 885,508	\$ 293,015	\$ 6,862,255
Equipment – Cafeteria	540,938	7,525	-	548,463
Total capital assets, being depreciated	6,810,700	893,033	293,015	7,410,718
Less – accumulated depreciation for:				
Equipment	4,299,134	443,170	293,015	4,449,289
Equipment – Cafeteria	366,634	39,152	-	405,786
Total accumulated depreciation	4,665,768	482,322	293,015	4,855,075
Lynchburg City Schools capital assets, net	\$ 2,144,932	\$ 410,711	\$ -	\$ 2,555,643

Included above is property with a cost and net book value of \$2,427,911 and \$1,708,262, respectively, at June 30 financed by capital leases.

Details of capital assets of other Component Units are as follows:

Land, buildings, and improvements	\$ 2,377,158
Machinery and equipment	13,365,268
	15,742,426
Less accumulated depreciation	9,228,407
	<u>\$ 6,514,019</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities

General Obligation Debt:

	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total All Funds
					Public Improvements	School Facilities	Proprietary Funds	
Bond Anticipation Note								
Public Improvement-Line of Credit for Five Years	Variable-LIBOR-Max 6%	03/27/2008	2013	\$ 15,000,000	\$ -	\$ 1,343,389	\$ -	\$ 1,343,389
State Literary Fund Loans Payable								
Virginia Department of Treasury	4.00	07/01/1990	2011	372,412	-	49,412	-	49,412
Serial Bonds								
VPSA General Obligation	4.90-6.35	11/12/1992	2013	458,292	-	133,442	-	133,442
VA Resource Authority	0.00	03/24/1994	2027	3,976,369	-	-	2,335,184	2,335,184
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	851,299	-	851,299
Public Improvement	4.60-5.40	06/01/1999	2019	17,820,000	4,023,580	1,506,406	3,465,014	8,995,000
Public Improvement	5.30-5.60	07/01/2000	2010	14,405,000	496,084	190,716	423,200	1,110,000
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	-	1,406,367	10,088,633	11,495,000
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	2,513,063	-	2,513,063
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	4,995,583	-	4,995,583
Public Improvement Refunding	2.00-5.00	02/01/2003	2014	23,670,000	2,304,941	273,069	4,611,990	7,190,000
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	6,170,000	1,910,000	5,095,000	13,175,000
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	8,580,000	8,430,000	6,840,000	23,850,000
Public Improvement Refunding	3.00-5.25	03/16/2005	2030	33,105,000	12,369,745	8,134,400	11,270,855	31,775,000
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	3,290,000	-	3,290,000
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	5,853,927	-	5,853,927
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	14,212,714	5,605,359	2,451,927	22,270,000
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	15,445,000	-	17,855,000	33,300,000
Public Improvement Refunding	2.93	03/19/08	2015	8,000,000	2,438,954	2,279,649	3,106,397	7,825,000
					\$ 66,041,018	\$ 48,766,081	\$ 67,543,200	\$ 182,350,299

Bonds issued between 1992 and 2008 are callable subject to a maximum premium of 2%.

Authorized and unissued general obligation public improvement bonds amounted to \$15,223,043 at June 30, 2008.

The Constitution of Virginia, Article 7, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its real estate assessed valuation for the City's issuance of any bonds or other interest-bearing obligations. As of June 30, the City's aggregate general obligation indebtedness was \$182,350,299 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00%	3/28/1995	2027	\$ 6,571,207	\$ 3,293,808
Public Utility Revenue Bonds	0.00%	8/10/1995	2029	10,000,000	5,726,191
Public Utility Revenue Bonds	0.00%	6/27/1996	2029	8,000,000	4,432,633
Public Utility Revenue Bonds	3.00%	7/17/1997	2020	14,108,460	9,468,085
Public Utility Revenue Bonds	0.00%	7/17/1997	2030	7,591,540	4,873,859
Public Utility Revenue Bonds	0.00%	8/1/1998	2031	6,203,000	4,260,010
Public Utility Revenue Bonds	3.00%	6/2/1999	2020	2,476,763	1,658,951
Public Utility Revenue Bonds	0.00%	9/2/1999	2021	5,300,000	3,626,316
Public Utility Revenue Bonds	0.00%	3/15/2001	2032	735,000	540,197
Public Utility Revenue Bonds	3.50%	6/8/2001	2021	2,835,000	2,161,398
Public Utility Revenue Bonds	0.00%	11/6/2001	2034	1,413,613	1,144,667
Public Utility Revenue Bonds	0.00%	9/15/2003	2036	2,350,165	2,112,863
Public Utility Revenue Bonds	0.00%	5/20/2004	2038	6,000,000	5,700,000
Public Utility Revenue Bonds	0.00%	5/17/2005	2038	6,700,000	6,476,667
Public Utility Revenue Bonds	0.00%	6/28/2006	2039	9,600,000	9,600,000
Public Utility Revenue Bonds	0.00%	6/20/2007	2039	7,000,000	7,000,000
Public Utility Revenue Bonds	0.00%	6/5/2008	2041	12,350,000	12,350,000
					<u>\$ 84,425,645</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia. The indenture agreement requires the City to pledge its Sewer Fund Revenues as collateral for the revenue bonds and to maintain debt coverage in the Sewer Fund equal to at least 1.15 of all debt service payments which exclude any refunded principal payments. As shown in the Supplementary Statistical Table 21, the debt coverage ratio for the year ended June 30 was 1.21.

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental Activities					
Bond anticipation note-line of credit	\$ -	\$ 1,343,389	\$ -	\$ 1,343,389	\$ -
General obligation bonds	108,592,986	21,459,128	12,644,952	117,407,162	8,118,034
Notes payable*	3,020,000	-	180,000	2,840,000	180,000
State literary fund loans	68,412	-	19,000	49,412	19,000
Adjust for deferred amounts:					
Issuance premiums	2,171,153	179,745	139,508	2,211,390	-
On refunding	(1,597,341)	-	(177,598)	(1,419,743)	-
Total bonds and notes	112,255,210	22,982,262	12,805,862	122,431,610	8,317,034
Workers' compensation	1,147,452	215,451	565,166	797,737	95,729
Compensated absences	3,558,207	2,977,005	2,416,076	4,119,136	494,296
Other postemployment benefits	-	1,768,605	-	1,768,605	-
Capitalized lease obligations	6,810,398	-	494,205	6,316,193	512,494
	<u>\$ 123,771,267</u>	<u>\$ 27,943,323</u>	<u>\$ 16,281,309</u>	<u>\$ 135,433,281</u>	<u>\$ 9,419,553</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities (Continued)

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	\$ 16,500,000	\$ -	\$ 16,500,000	\$ -	\$ -
General obligation bonds	52,294,930	19,840,872	8,585,466	63,550,336	3,998,231
Public utility revenue bonds	74,984,763	12,350,000	2,909,118	84,425,645	3,097,845
Adjust for deferred amounts:					
Issuance discounts	(211,484)	-	(149,367)	(62,117)	-
Issuance premiums	918,059	34,052	84,334	867,777	-
On refunding	(1,089,440)	-	(155,996)	(933,444)	-
Total bonds and notes payable	143,396,828	32,224,924	27,773,555	147,848,197	7,096,076
Workers' compensation	77,173	95,307	56,680	115,800	13,895
Compensated absences	413,155	343,741	345,012	411,884	49,426
Other postemployment benefits	-	161,490	-	161,490	-
Landfill – open landfill	3,284,269	1,786,304	1,495,965	3,574,608	3,574,608
	<u>\$ 3,284,269</u>	<u>\$ 34,611,766</u>	<u>\$ 29,671,212</u>	<u>\$ 152,111,979</u>	<u>\$ 10,734,005</u>

*A note receivable was obtained concurrent with the issuance of this note payable. Neither instrument provided or consumed current financial resources; therefore, they are not reflected in the fund statements. The note receivable is included in other assets on Exhibit 1.

Debt Service to Maturity:

Year Ending June 30	Governmental Activities						Business-Type Activities	
	Governmental Obligation		Literary Fund Loans		Capital Lease Obligations		General Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 8,118,034	\$ 5,191,405	\$ 19,000	\$ 1,976	\$ 512,494	\$ 229,783	\$ 1,810,056	\$ 1,207,810
2010	8,697,194	4,871,103	19,000	1,216	530,970	211,305	2,103,851	1,138,875
2011	8,690,523	4,529,594	11,412	456	550,116	192,160	2,103,588	1,061,191
2012	8,219,427	4,194,088	-	-	437,301	172,285	1,757,860	991,126
2013	8,301,566	3,831,425	-	-	314,277	158,399	1,759,308	924,138
2014-2018	35,176,249	13,856,681	-	-	1,762,702	600,673	6,992,528	3,671,210
2019-2023	24,939,749	6,706,094	-	-	2,129,637	233,740	4,257,876	2,475,817
2024-2028	13,862,675	1,774,046	-	-	78,696	748	3,887,376	1,676,067
2029-2033	1,381,745	136,890	-	-	-	-	3,384,411	822,885
2034-2038	20,000	1,000	-	-	-	-	1,845,717	208,024
2039-2041	-	-	-	-	-	-	-	-
Total	<u>\$ 117,407,162</u>	<u>\$ 45,092,326</u>	<u>\$ 49,412</u>	<u>\$ 3,648</u>	<u>\$ 6,316,193</u>	<u>\$ 1,799,093</u>	<u>\$ 29,902,571</u>	<u>\$ 14,177,143</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities							
	Water Fund		General Obligation		Airport Fund		Revenue Bonds	
			Solid Waste Management				Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,408,763	\$ 1,252,076	\$ 544,502	\$ 137,945	\$ 234,910	\$ 87,212	\$ 3,097,845	\$ 402,168
2010	1,703,875	1,191,916	537,386	113,654	254,716	77,609	3,520,797	372,550
2011	1,668,318	1,123,470	549,692	89,363	255,141	67,243	3,757,168	342,012
2012	1,417,069	1,062,769	298,462	69,647	190,327	58,141	3,994,486	310,527
2013	1,426,700	1,003,211	298,749	57,082	196,083	50,305	4,026,949	278,064
2014-2018	6,042,653	4,138,230	902,737	117,725	651,665	150,976	20,658,084	866,981
2019-2023	3,776,197	2,962,884	74,385	19,989	222,618	59,999	16,434,053	87,108
2024-2028	3,801,131	2,118,219	41,035	9,919	136,114	13,129	12,705,915	-
2029-2033	4,011,259	1,177,711	18,995	1,292	-	-	8,233,006	-
2034-2038	2,984,283	338,038	-	-	-	-	6,574,842	-
2039-2041	-	-	-	-	-	-	1,422,500	-
Total	\$ 28,240,248	\$ 16,368,524	\$ 3,265,943	\$ 616,616	\$ 2,141,574	\$ 564,614	\$ 84,425,645	\$ 2,659,410

Notes Payable – Capital Projects Line of Credit, Bank (General Obligation Bond Anticipation Note):

On March 27, 2008, the City issued a five-year general obligation bond anticipation note to SunTrust Bank and concurrently entered into a line of credit Financing Agreement with the Bank. The Agreement provided for borrowings of up to \$15,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is equal to the tax-exempt note rate defined in the Agreement as: the one month London Interbank Offered Rate (LIBOR) as published in the “Money Rates” section of the Wall Street Journal times 0.77, plus 0.37%, for each calendar month on the first business day of such calendar month and computed on a 360-day year basis; up to a maximum of 6%; and, payable in arrears on a monthly basis. All outstanding amounts are due at final maturity on March 27, 2013. There was \$1,343,389 of principal activity during FY 2008 for Schools capital projects with that same amount outstanding at June 30, 2008.

General Obligation Bond Anticipation Notes:

On May 9, 2006, the City issued \$16,500,000 two-year general obligation bond public improvement anticipation notes (BANS) maturing on July 15, 2008 for interim financing of water and sewer projects. The notes bear interest at the rate of 3.875% per annum. On September 4, 2007 these BANS were redeemed and permanently financed with general obligation public improvement bonds dated August 2, 2007.

August 2, 2007 General Obligation Bond Issue:

The City issued \$33,300,000 of general obligation public improvement bonds Series 2007 dated August 2, 2007 from its competitive bond sale on July 19, 2007. They were issued to fund general government capital projects, fleet public safety equipment, permanent financing for water and sewer capital projects, and issuance costs. They were allocated as follows: \$15,445,000 for general government, \$1,190,000 for fleet public safety equipment; and \$10,100,000 and \$6,565,000 respectively for water and sewer utilities. These bond proceeds were utilized in a current refunding on September 4, 2007, to permanently finance the \$10,000,000 water and \$6,500,000 sewer general obligation bond anticipation notes (BANS) issued May 9, 2006. Bonds funding general government projects and fleet equipment were financed for twenty (20) years, while the water and sewer bonds were financed for thirty (30) years. The final maturity date is August 1, 2037 for the bonds with interest rates ranging from 4.125% to 5.00%. Bonds maturing on August 1 in each of the years 2018 through 2027, on August 1, 2032 and August 1, 2037 are insured under a financial guaranty insurance policy issued by MBIA Insurance Corporation and purchased by the underwriter. Subsequently, in March 2008, the Lynchburg City

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities (Continued)

Council approved a resolution providing for a realignment of up to \$500,000 of the May 9, 2006 BANS unexpended proceeds from sewer capital projects to water capital projects. In May 2008, the City actually realigned only \$233,805 of those unexpended proceeds in accordance with that authorizing resolution. Because of the permanent financing of these May 2006 BANS with the August 2007 bonds; this resulted in the same realignment in the August 2, 2007 bonds and its related debt service until maturity. The final fund allocation amounts of the August 2, 2007 bond issue were \$10,333,805 water capital projects and \$6,331,195 for sewer capital projects. The general government and public safety equipment allocations remained the same as noted above.

Additionally, the City filed two notices of material events during FY 2008 through DisclosureUSA in compliance with continuing disclosure requirements to the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRS). The first notice filed on May 2, 2008 reported that the City had been advised of the downgrade by Fitch Ratings of MBIA's ratings and correspondingly the ratings of obligations insured by MBIA from "AAA" to "AA". The second notice filed on July 16, 2008 reported that the City had been advised of the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Services from "AAA" to "A2" and Standard & Poor's Ratings Services from "AAA" to "AA" of MBIA's ratings and correspondingly the rating of obligations insured by MBIA, including the Insured Bonds, to the extent based on the financial guaranty insurance policies issued by MBIA.

March 19, 2008 General Obligation Bond Issue Current Refunding of General Obligation Bond Issue, Series 1998B:

The City issued \$8,000,000 of general obligation public improvement bonds Series 2008 dated March 19, 2008 through a proposal process resulting in a private placement of these bonds with Banc of America Public Capital Corporation. Proceeds from this current refunding along with City funds from the Solid Waste Management Fund were utilized on May 1, 2008 and refunded the outstanding Series 1998B general obligation bonds. Additionally, City funds of \$244,184 from the Solid Waste Management Fund were utilized to retire its allocation of \$236,497 outstanding principal for the Series 1998B bonds, related issuance costs and premium. This Fund's Series 1998B outstanding debt was retired in lieu of including it in the March 19, 2008 current refunding bond issue. It was the City's desire to retire debt where practical in anticipation of the upcoming transition of this operation to a regional services authority effective July 1, 2008.

Virginia Department of Education Literary Loan Program Fund:

The Lynchburg School Board and the Lynchburg City Council approved resolutions on March 5, 2008 and March 11, 2008, respectively, authorizing submission of the Literary Loan Program Fund application to the Virginia Department of Education Board for a \$7,500,000 loan to partially fund new construction of Sandusky Middle School. On July 17, 2008, the Virginia Department of Education Board approved the application for a future loan with a three percent (3%) interest rate and placed this project on the First Priority Waiting List.

Net Other Postemployment Benefits Obligation:

For FY 2008, the City and Lynchburg City Schools implemented the Governmental Accounting Standards Board's Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This pronouncement requires the accounting and financial reporting of the City's and Schools' net other postemployment obligation (NOPEBO) at June 30, 2008. It is defined as the cumulative difference between the annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. The City and Schools have not converted any OPEB obligation to debt. Detailed information is provided in Note 13 of this report.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9. Long-Term Liabilities (Continued)

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 692,384	\$ 461,912	\$ 544,824	\$ 609,472	\$ 249,884
Capital lease obligations	2,200,406	1,000,000	834,058	2,366,348	856,493
Other postemployment benefits	-	522,228	-	522,228	-
	<u>\$ 2,892,790</u>	<u>\$ 1,984,140</u>	<u>\$ 1,378,882</u>	<u>\$ 3,498,048</u>	<u>\$ 1,106,377</u>

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.08%	02/2005	02/2010	\$ 1,000,000	\$ 350,550
3.39	09/2005	09/2010	750,000	340,348
2.99	09/2004	09/2009	500,000	132,737
4.12	08/2006	08/2011	500,000	328,520
3.83	10/2006	10/2011	500,000	352,099
3.89	09/2007	09/2012	1,000,000	862,094
				<u>\$ 2,366,348</u>

Following is a summary of debt service to maturity:

Year Ending June 30	Capital Lease Obligations	
	Principal	Interest
2008	\$ 856,493	\$ 72,536
2009	732,272	43,010
2010	447,043	21,380
2011	278,411	6,499
2012	52,129	177
Total	<u>\$ 2,366,348</u>	<u>\$ 143,602</u>

Note 10. Landfill Closure and Post-closure Care Costs

The City closed its Tyreeanna I landfill on October 8, 1993. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure, or until there were no remaining environmental issues. The City completed the ten-year period; however, due to the State's groundwater monitoring requirements, the City was required to continue to monitor the groundwater surrounding the facility. In January 2007, the Department of Environmental Quality released the City from further corrective actions at the site, and allowed the City to discontinue ongoing monitoring activities at this landfill.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 10. Landfill Closure and Post-closure Care Costs (Continued)

The City's Tyreeanna II landfill began accepting waste on October 8, 1993. State and federal laws require the City to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. Although closure and post-closure care costs are paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used. Estimated closure and post-closure care costs at June 30, 2008 of approximately \$3.57 million for the Tyreeanna II landfill represent the cumulative amount reported to date based on the use of 62 percent of the estimated capacity of the landfill. In FY 2008, the City began closure of Phase I of the Tyreeanna II landfill in preparation for the transition to the Region 2000 Services Authority (the "Authority") at a total cost of \$1.7 million. During FY 2008 the City incurred costs of \$1.2 million with final closure to be completed in FY 2009. The City would recognize the remaining estimated cost of closure and post-closure of approximately \$2.12 million as the remaining estimated capacity is filled; however, the City became a member of the Authority on July 1, 2008. The City has sold the assets to the Authority and the Authority will assume the closure/post-closure liability during FY 2009 in exchange for cash equivalent to the amount of the closure/post-closure liability. (See Note 18)

The City uses the financial test method of demonstrating assurance for closure and post-closure care.

Note 11. Fund Equity Balances

Designated Fund Balance: Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designations of fund balance are as follows:

	General	Special Revenue	Capital Projects
Self insurance and other insurance matters	\$ 2,733,684	\$ -	\$ -
Workers Compensation – Detention Home	20,000		
Adopt a Bed	4,548	-	-
Return of fiscal year 2008 funds to schools	137,918		
Health Insurance	395,000	-	-
Completion of other specific projects and activities	-	329,895	352,062
Schools – Textbooks	1,500,000	-	-
Schools – Health Insurance	1,000,000	-	-
Schools – Future Expenditure Needs	100,000	-	-
Other Post Employment Benefits (OPEB)	260,529	-	-
	<u>\$ 6,151,679</u>	<u>\$ 329,895</u>	<u>\$ 352,062</u>

Deficit Fund Balances: At June 30, the City/Federal/State Aid Projects Fund, Comprehensive Services Act Fund, and the Home Investment Trust Funds had deficit fund balances. The deficits will be covered with future revenue reimbursements.

Note 12. Employee Benefit Plans

Defined Benefit Pension Plan:

Plan Description: The City contributes to the Virginia Retirement System ("VRS"), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System ("the System"). In addition, professional and non-professional employees of the Schools are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agency multiple-employer retirement system.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 12. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan: (Continued)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation ("AFC") for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to their unreduced Social Security eligibility age. The VRS also provides death and disability benefits.

Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded at their website or obtained by writing the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2008 was 20.26% of annual covered payroll. The School's contribution rates for the fiscal year ended 2008 were 15.3% for professional and 13% for non-professional employees. Both the City's and the School's contribution rates include the employee's share of 5% paid by the employer.

Annual Pension Cost: For 2008, the City's and Schools' annual pension costs of \$9,962,213 and \$7,757,884, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.50% investment rate of return; (b) projected salary increases ranging from 3.75% to 5.60% per year (depending on the employee's service and classification (general employee or uniformed officer)), and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and Schools' assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and Schools' unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Trend Information for the City of Lynchburg			
June 30, 2008	\$ 9,962,213	100%	None
June 30, 2007	\$ 9,439,534	100%	None
June 30, 2006	\$ 8,607,370	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2008	\$ 7,757,884	100%	None
June 30, 2007	\$ 7,094,119	100%	None
June 30, 2006	\$ 5,543,969	100%	None

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 12. Employee Benefit Plans (Continued)

Funded Status and Finding Progress

As of June 30, 2007, the most recent actuarial valuation date for the City, the plan was 75.71% funded. The actuarial accrued liability for benefits was \$243,719,371 and the actuarial value of assets was \$184,515,996, resulting in an unfunded actuarial accrued liability (UAAL) of \$59,203,375. The covered payroll (annual payroll of active employees covered by the plan) was \$43,077,273, and the ratio of the UAAL to the covered payroll was 137.44%

As of June 30, 2007, the most recent actuarial valuation date for the Schools, the plan was 89.77% funded. The actuarial accrued liability for benefits was \$11,082,613 and the actuarial value of assets was \$9,948,359, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,134,254. The covered payroll (annual payroll of active employees covered by the plan) was \$3,668,492, and the ratio of the UAAL to the covered payroll was 30.92%

The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 13. Other Post Employment Benefits

The Governmental Accounting Standards Board ("GASB") has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City and the Schools prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

City of Lynchburg

Plan Description

The City provides post-employment health and dental benefits for retired employees through a single-employer defined benefit plan. The City may change, add or delete health and dental insurance benefits as the City deems appropriate with City Council approval. The plan does not grant retirees vested health or dental coverage benefits.

Benefits Provided

The City provides post-employment health and dental benefits to its retirees. All health care benefits are provided through the City's self insured health plan. Retirees may continue to participate in the group health and dental plans based upon the date of full time hire in accordance with the provisions outlined below.

(1) Full time Classified employees hired on or after July 1, 1996 are currently eligible to participate in the City's health and dental plans at the retiree's expense when they retire directly from the City with at least fifteen (15) years of full time service with the City. The retiree must pay the current premium value of the medical coverage.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 13. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Benefits Provided (Continued)

(2) Full time Classified employees hired on or after July 1, 1990 but before July 1, 1996 are currently eligible to participate in the City's health and dental plans and receive City contributions for the coverage when they retire directly from the City with at least fifteen (15) years of full time service with the City and the retiree worked for the City five (5) of the fifteen (15) years immediately preceding retirement.

(3) Full time Classified employees hired prior to July 1, 1990 are currently eligible for health and dental plan participation and receive City contributions for their coverage when they retire directly from the City.

The City does not provide prescription coverage for Medicare eligible retirees.

Membership

The number of participants at June 30, 2008 was as follows:

Retirees currently receiving benefits	20
Active employees (<i>under 2 and 3 above</i>)	414
Active employees (<i>under 1 above</i>)	821
Terminated employee entitled to benefits but not yet receiving benefits	<u>1</u>
Total	<u><u>1,756</u></u>

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY 2008 the City designated \$250,000 for the OPEB liability. The FY 2009 budget includes an additional \$250,000 designated for the OPEB liability. The City is exploring the possibility of developing a trust to accumulate and invest assets necessary to pay for the accumulated liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2008, the City's annual OPEB cost (expense) of \$4,062,551 was equal to the Annual Required Contribution (ARC). The payment of current health insurance premiums, which totaled \$2,132,456 for retirees, resulted in a Net OPEB obligation of \$1,930,095 for the year ended June 30, 2008.

Annual required contribution	\$ 4,062,551
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	4,062,551
Contributions made	<u>(2,132,456)</u>
Increase in net OPEB obligation	1,930,095
Net OPEB obligation-beginning of year	<u>-</u>
Net OPEB obligation-end of year	<u><u>\$ 1,930,095</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2008 are as follows. Since this is the City's first year for implementing GASB 45, the City cannot report the same information for the preceding two years.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 13. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$4,062,551	52.5%	\$1,930,095

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 was as follows:

Actuarial Accrued Liability (AAL)	\$56,995,144
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	56,995,144
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	22,586,532
UAAL as a Percentage of Covered Payroll	252.34%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 11% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.5%. The unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2008 is 29 years.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 13. Other Post Employment Benefits (Continued)

Lynchburg City Schools

Plan Description

The Schools provide post-employment medical, dental and vision benefits for retired employees through a single-employer defined benefit plan. The Schools may change, add or delete medical, dental and vision benefits (including contributions required of retired employees) as the Schools deem appropriate with School Board approval.

Benefits Provided

The Schools provide post-employment medical, dental and vision benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of two PPO plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65. The retiree pays the premium for these benefits.

Participants are eligible for the plan when they are eligible to retire under the provisions of the Virginia Retirement System and they have worked for Lynchburg City Schools for ten continuous years. The earliest retirement age is at age 50 with 10 years of service.

Membership

The number of participants at June 30, 2008 was as follows:

Active participants	1,341
Inactive participants	<u>98</u>
Total	<u><u>1,439</u></u>

Funding Policy

The Schools currently fund postemployment health care benefits on a pay-as-you-go basis. The Schools do not intend to establish a trust to pre-fund this liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2008, the School's annual OPEB cost (expense) of \$659,063 was equal to the Annual Required Contribution (ARC). The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$136,835 for retirees, resulted in a Net OPEB obligation of \$522,228 for the year ended June 30, 2008.

Annual required contribution	\$ 659,063
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	659,063
Contributions made	<u>(136,835)</u>
Increase in net OPEB obligation	522,228
Net OPEB obligation-beginning of year	<u>-</u>
Net OPEB obligation-end of year	<u><u>\$ 522,228</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 13. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2008 are as follows. Since this is the School's first year for implementing GASB 45, the Schools cannot report the same information for the preceding two years.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$659,063	20.8%	\$522,228

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 was as follows:

Actuarial Accrued Liability (AAL)	\$5,430,872
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	5,430,872
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	46,747,520
UAAL as a Percentage of Covered Payroll	11.62%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4% discount rate. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 14. Leases

Lessee:

Operating leases have original terms from one month to 60 months and in certain instances allow cancellations if funds are not appropriated for each year's payments. At June 30, future minimum lease payments are as follows:

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2009	\$ 274,836	\$ 501,283
2010	131,232	432,813
2011	50,796	361,075
2012	50,796	316,208
2013	50,796	85,280
2014-2018	253,980	-
2019-2023	114,291	-
	<u>\$ 926,727</u>	<u>\$ 1,696,659</u>

For 2008, the City incurred rental expenditures of \$298,613 in the General Fund, \$11,325 in the Enterprise Fund, \$30,464 in the Special Revenue Funds, and rental expenditures of \$7,380 in the City Capital Projects Fund. For 2008, the Schools incurred rental expenditures of \$621,110.

Note 15. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net assets. Total claims paid for the year ended June 30 amounted to \$621,846.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$285,000,000 per occurrence. Other liability policies provide up to \$60,000,000 coverage in the aggregate. Police professional liability and public officials' liability claims with a \$500,000 deductible per claim are covered through a policy with the States Self Insurance Risk Group. Total premiums for purchased coverage for the year ended June 30 were \$625,605. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$150,000 per covered individual per contract year. Total claims settlements did not exceed coverage for the last three years. For the year ended June 30, total claims expense of \$7,800,534, which did not exceed the stop loss provisions, was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$850,807. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled \$779,406 and have been funded by the City.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 15. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2008	\$	1,224,625	\$ 310,758	\$ 621,846	\$ 913,537
	2007	\$	1,008,187	\$ 1,212,536	\$ 996,098	\$ 1,224,625
General/Automotive Liability	2008	\$	-	\$ 122,690	\$ 122,690	\$ -
	2007	\$	19,750	\$ 165,225	\$ 184,975	\$ -
Healthcare	2008	\$	1,821,498	\$ 6,758,442	\$ 7,800,534	\$ 779,406
	2007	\$	777,839	\$ 6,946,218	\$ 5,902,559	\$ 1,821,498

General/Automobile Liability and Healthcare are considered current liabilities and are included in accounts payable and accrued liabilities in the Statement of Net Assets. Workers' Compensation breakdown between current and noncurrent is shown in Note 9.

The Risk Management Programs of the Schools are as follows:

Workers' Compensation: The Schools is a member of the School System of Virginia for its workers' compensation claims. The membership is funded through the school operating budget.

General Liability and Other: The Schools carries commercial insurance for all risk of loss. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$150,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$7,346,381, which did not exceed the stop loss provisions, was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$688,900. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$791,159 and have been funded by the Schools.

Changes in aggregate liabilities were as follows:

			Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2008	\$	822,724	\$ 7,314,816	\$ 7,346,381	\$ 791,159
	2007	\$	802,628	\$ 6,380,571	\$ 6,360,475	\$ 822,724

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 16. Significant Transactions of the City and Discretely Presented Component Unit – Schools

Certain transactions between the City and Schools are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The Schools can neither levy taxes nor incur debt under Virginia law. Therefore, the City issues debt “on behalf” of the Schools. The debt obligation is recorded as a liability of the City’s governmental activities. The proceeds from such debt are recorded in the City’s General Fund. Funding in an amount equal to the proceeds is then provided to the Schools to pay for capital expenditures. Unspent funds at year-end are reported as deposits and investments of the City in the School Capital Projects Fund.
2. The City’s budgeting process provides funding in the General Fund for Schools debt service payments. GAAP requires that debt issued “on behalf” of the Schools and related debt service payments be reported by the City for financial reporting purposes. Therefore, debt service payments for Schools’ bonded debt is reported as part of the City for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Debt and related debt service for other than bonded debt is reported by the Schools.
3. If all economic resources associated with school activities were reported with the Schools, its total expenses/expenditures would be as follows:

Expenses of Schools – Component Unit (Exhibit 2)	\$ 95,308,719
Principal and other debt service expenses included in City	<u>5,890,304</u>
Total expenses/expenditures for School activities	<u>\$ 101,199,023</u>

Note 17. Commitments and Contingencies

Combined Sewer Overflow:

In 2000, the City completed an update of the Combined Sewer Overflow (“CSO”) program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be \$276,000,000 in 1999 dollars. Updated estimates indicate that the total remaining cost of CSO control work, including related work such as sewer replacement/rehabilitation, waterline replacement and street paving will total approximately \$361,000,000 in 2008 dollars.

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (“VDEQ”) issued a sewage discharge permit and consent Special Order continuing the terms and conditions that will govern implementation of the City’s CSO control plan. The permit requires the City to implement the CSO control plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

The Special Order does not contain a strict compliance schedule for implementing the CSO control plan, but rather provides for implementation based on criteria reflecting the limits of the City’s financial capability. The Special Order requires the City to meet several specific criteria such as: maintaining a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5; sewer fund reserves to equal no more than 25 percent of the subsequent years’ budgeted operating expenditures; and to maintain an average residential, yearly sewer bill equal to 1.25% of median household income based on 7 hcf (hundred cubic feet) of use per month. The City is currently implementing the CSO control plan in accordance with the requirements of its permit and consent order. Further, the City is required by the consent order to submit annual reports, including independent rate consultant reports to VDEQ on its compliance with the order and its progress with CSO control plan implementation. The current CSO Annual Report can be found at www.Lynchburgva.gov/cso under “status” link.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 17. Commitments and Contingencies (Continued)

Construction and Related Commitments:

At June 30, the City had outstanding commitments under various construction contracts totaling approximately \$60,640,000.

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The City was audited by the Department of Housing and Urban Development (HUD) during FY 2008. Subsequent to June 30, the City provided their response to the HUD audit indicating that all findings would be resolved by December 31, 2008. Management believe disallowances, if any, related to the HUD audit would not be material to the financial position of the City at June 30, 2008.

Lead Hazard Program:

The Lead Hazard Control grant remains under investigation by the Department of Housing and Urban Development (HUD). Management has not been notified of any disallowances pertaining to this particular grant, therefore Management cannot determine if an adjustment to the financial position of the City at June 30, 2008 is required. In addition, Management is unable to predict the estimated range of potential loss that could arise in future periods as a result of this investigation.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. For the August 2, 2007 general obligation public improvement bond issue, the City did not spend sufficient funds to meet the 12-month IRS benchmark test. As of June 30, 2008, the arbitrage rebate liability estimate was zero. Management is of the opinion that sufficient funds will be spent to minimize any potential arbitrage rebate liability.

Business Personal Property Tax Refund:

The City has been sued by a local corporate taxpayer regarding an alleged error in the assessment of the taxpayer's Business Personal Property Taxes. The taxpayer has requested a refund. The amount is estimated by management to be approximately \$185,000 plus interest. During FY 2008 the local circuit court ruled in favor of the taxpayer. The City has appealed the circuit court's decision to the Virginia Supreme Court and hopes the circuit court's decision will be reversed on appeal.

Lawsuit:

Seven City Police Officers have been named in a lawsuit seeking \$12.5 million in damages. The case is currently in the preliminary stages. Any probable loss to the City is undetermined at this time. In accordance with the provisions of the City's Self-Insurance Program Plan Document, lawsuits filed against City employees for actions that occurred in the performance of their official duties will be provided legal counsel. The City's self insurance fund and excess insurance carrier will cover any loss that may occur.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 18. Subsequent Events

Capital Leases:

Subsequent to year-end, the School Board approved a lease/purchase of new school buses in the amount of approximately \$500,000 and a lease purchase of new computer equipment in the amount of approximately \$500,000.

Region 2000 Services Authority:

During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Regional 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority will purchase and operate two landfills currently owned and operated by other member jurisdictions. The Authority will utilize these landfills to their full capabilities. Each member jurisdiction will pay a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the authority \$300,000 in initial start up costs.

The City began conveying its active landfill to the Authority in July 2008. The City will continue to be responsible for a portion of the ongoing stormwater and methane gas monitoring costs of Tyreeanna II landfill. Upon closure of the Tyreeanna II landfill, the City will be responsible for reimbursing the Authority for any increase in costs for closure of the portion attributable to the City's activities prior to July 1, 2008.

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Subsequent to year-end Bluffwalk did not make the August payment in the amount of \$254,686. This is the second payment that Bluffwalk failed to make to the City. The City fulfilled their obligation to HUD by making the required payment using funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for both payments from Bluffwalk.

Airport Authority:

During FY 2007 the Virginia General Assembly passed H.B. 2800, Virginia's Region 2000 Airport Authority Act (Act). The Act authorizes the City and the governing bodies of Amherst, Appomattox, Bedford, and Campbell to form an authority for the purpose of owning and managing an airport authority.

A group consisting of the City Manager and several area County Administrators was formed to discuss forming an authority. Discussions are ongoing.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 19. New Accounting Standards

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for certain obligations to address the effects of existing pollution through pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. Upon the occurrence of certain events, an entity is required to estimate expected pollution remediation outlays and determine whether those outlays should be accrued as a liability, or, if appropriate, capitalized when goods and services are received. Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2010.

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REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2008

				Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)				
City of Lynchburg							
	June 30, 2007	\$ 184,515,996	\$ 243,719,371	\$ 59,203,375	75.71%	\$ 43,077,273	137.44%
**	June 30, 2006	\$ 164,983,802	\$ 228,059,569	\$ 63,075,767	72.34%	\$ 44,982,744	140.22%
	June 30, 2005	\$ 156,274,905	\$ 217,852,510	\$ 61,577,605	71.73%	\$ 44,136,215	139.52%

Lynchburg City Schools Non-professional Employees

	June 30, 2007	\$ 9,948,359	\$ 11,082,613	\$ 1,134,254	89.77%	\$ 3,668,492	30.92%
**	June 30, 2006	\$ 8,789,493	\$ 9,724,497	\$ 935,004	90.39%	\$ 3,329,413	28.08%
	June 30, 2005	\$ 8,276,265	\$ 9,669,137	\$ 1,392,872	85.59%	\$ 3,236,234	43.04%

** Per the Actuarial Valuation Report of VRS by Wachovia as of June 30, 2007. The AAL and Covered Payroll numbers have been revised from their June 30, 2006 report.

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2008

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	July 1, 2006	\$ 0	\$ 56,995,144	\$ 56,995,144	0.00%	\$ 22,586,532	252.34%
Lynchburg City Schools	June 30, 2008	\$ 0	\$ 5,430,872	\$ 5,430,872	0.00%	\$ 46,747,520	11.62%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF LYNCHBURG, VIRGINIA

Nonmajor Governmental Funds
As of June 30, 2008

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue and capital projects funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Funds in this category include:

- City Federal/State Aid Projects Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Museum System Fund – Accounts for revenues received in support of the City's various museums.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other assistance.
- Detention Home Fund – Accounts for revenues received and expenditures made to support the operations of the City's Juvenile Detention Home.
- Law Library Fund – Accounts for fees received to support the operation of the Law Library.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures for drug related activities.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Comprehensive Services Act Fund – Accounts for revenues received and expenditures made to support the Comprehensive Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.
- Technology Fund – Accounts for revenues received to support the acquisition of computer equipment and maintaining network equipment, servers, and the A/S 400.
- Baseball Stadium Fund – Accounts for revenues received from baseball activities at the Lynchburg City Stadium.

Capital Projects Funds account for all resources used for the acquisition or construction of capital facilities except those financed by Enterprise Funds and federal and state grants. The Fund in this category includes:

- School Capital Projects Fund – Accounts for budgeted capital projects approved by the Lynchburg City Schools related to educational activities.

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT A-1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Total	Capital Projects Total	Total Nonmajor Governmental
Assets			
Cash and cash equivalents	\$ 934,582	\$ 2,403,881	\$ 3,338,463
Investments	1,786,377	1,978,392	3,764,769
Receivables, net of allowance			
Other	734,977	-	734,977
Due from other funds	117,375	-	117,375
Due from component units	135,000	-	135,000
Due from other governments	1,868,970	-	1,868,970
Other assets	213	-	213
Total assets	\$ 5,577,494	\$ 4,382,273	\$ 9,959,767
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 1,117,218	\$ 244,147	\$ 1,361,365
Accrued liabilities	53,606	-	53,606
Due to other governments	20,251	-	20,251
Due to other funds	1,229,849	-	1,229,849
Deferred revenue	401,235	-	401,235
Total liabilities	2,822,159	244,147	3,066,306
Fund balances			
Reserved for:			
Encumbrances	1,672,375	26,585,304	28,257,679
Unreserved, reported in special revenue			
Designated	329,895	-	329,895
Undesignated	753,065	-	753,065
Unreserved, reported in capital projects			
Undesignated	-	(22,447,178)	(22,447,178)
Total fund balances	2,755,335	4,138,126	6,893,461
Total liabilities and fund balances	\$ 5,577,494	\$ 4,382,273	\$ 9,959,767

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008**

	Special Revenue Total	Capital Projects Total	Total Nonmajor Governmental
Revenues			
Taxes	\$ 31,439	\$ -	\$ 31,439
Intergovernmental	9,530,986	264,176	9,795,162
Revenue from use of money and property	967,444	-	967,444
Charges for services	3,957,557	-	3,957,557
Miscellaneous	546,303	6,600	552,903
Total revenues	15,033,729	270,776	15,304,505
Expenditures			
Current operating expenditures			
General government	592,310	-	592,310
Judicial	992,084	-	992,084
Public safety	4,121,772	-	4,121,772
Public works	28,893	-	28,893
Health and human services	7,430,110	-	7,430,110
Cultural and recreational	1,508,733	-	1,508,733
Community development	1,161,108	-	1,161,108
Education	-	102,702	102,702
Capital outlay			
Capital general government	-	3,442,949	3,442,949
Debt Service			
Principal retirements	587,150	-	587,150
Interest payments and other fiscal charges	307,263	-	307,263
Total expenditures	16,729,423	3,545,651	20,275,074
Deficiency of revenues over expenditures	(1,695,694)	(3,274,875)	(4,970,569)
Other financing sources (uses)			
Issuance of bonds	-	1,343,389	1,343,389
Issuance of refunding bonds	717,904	-	717,904
Refunded bond principal payments	(707,898)	-	(707,898)
Transfers in	1,235,780	502,320	1,738,100
Transfers out	(300,285)	-	(300,285)
Total other financing sources (uses)	945,501	1,845,709	2,791,210
Net changes in fund balances	(750,193)	(1,429,166)	(2,179,359)
Fund balances - beginning	3,505,528	5,567,292	9,072,820
Fund balances - ending	\$ 2,755,335	\$ 4,138,126	\$ 6,893,461

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	City Federal State Aid Projects	Community Development Block Grant	Lynchburg Business Development Centre	Museum System	Law Library	Forfeited Assets	Comprehensive Services Act
Assets							
Cash and cash equivalents	\$ 351,755	\$ -	\$ 171	\$ 21,353	\$ 43,828	\$ 250,289	\$ 3,234
Investments	-	-	-	-	-	-	-
Receivables, net of allowance							
Other	315,274	132,608	-	17	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from component unit	-	-	135,000	-	-	-	-
Due from other governments	264,685	252,598	-	-	-	7,630	1,020,464
Other assets	-	-	213	-	-	-	-
Total assets	\$ 931,714	\$ 385,206	\$ 135,384	\$ 21,370	\$ 43,828	\$ 257,919	\$ 1,023,698
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 272,168	\$ 137,376	\$ -	\$ 7,272	\$ 2,152	\$ 1,024	\$ 559,131
Accrued liabilities	20,418	389	-	-	-	-	853
Due to other governments	17,375	119	-	-	-	-	2,235
Due to other funds	308,594	155,204	10,000	-	-	-	518,744
Deferred revenue	370,524	30,694	-	17	-	-	-
Total liabilities	989,079	323,782	10,000	7,289	2,152	1,024	1,080,963
Fund balances (deficits)							
Reserved for:							
Encumbrances	1,483,164	125,530	-	-	-	-	-
Unreserved:							
Designated	-	-	-	-	-	256,895	-
Undesignated	(1,540,529)	(64,106)	125,384	14,081	41,676	-	(57,265)
Total fund balances (deficits)	(57,365)	61,424	125,384	14,081	41,676	256,895	(57,265)
Total liabilities and fund balances	\$ 931,714	\$ 385,206	\$ 135,384	\$ 21,370	\$ 43,828	\$ 257,919	\$ 1,023,698

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Assets						
Cash and cash equivalents	\$ 5,483	\$ -	\$ 400	\$ 224,829	\$ 33,240	\$ 934,582
Investments	-	-	-	1,786,377	-	1,786,377
Receivables, net of allowance						
Other	-	-	-	-	287,078	734,977
Due from other funds	-	-	116,670	705	-	117,375
Due from component unit	-	-	-	-	-	135,000
Due from other governments	-	120,239	203,354	-	-	1,868,970
Other assets	-	-	-	-	-	213
Total assets	<u>\$ 5,483</u>	<u>\$ 120,239</u>	<u>\$ 320,424</u>	<u>\$ 2,011,911</u>	<u>\$ 320,318</u>	<u>\$ 5,577,494</u>
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ -	\$ 48,516	\$ 18,669	\$ 64,812	\$ 6,098	\$ 1,117,218
Accrued liabilities	-	-	31,946	-	-	53,606
Due to other governments	-	-	522	-	-	20,251
Due to other funds	-	83,256	154,051	-	-	1,229,849
Deferred revenue	-	-	-	-	-	401,235
Total liabilities	<u>-</u>	<u>131,772</u>	<u>205,188</u>	<u>64,812</u>	<u>6,098</u>	<u>2,822,159</u>
Fund balances (deficits)						
Reserved for:						
Encumbrances	1,907	119	42,236	19,241	178	1,672,375
Unreserved:						
Designated	-	-	73,000	-	-	329,895
Undesignated	3,576	(11,652)	-	1,927,858	314,042	753,065
Total fund balances (deficits)	<u>5,483</u>	<u>(11,533)</u>	<u>115,236</u>	<u>1,947,099</u>	<u>314,220</u>	<u>2,755,335</u>
Total liabilities and fund balances	<u>\$ 5,483</u>	<u>\$ 120,239</u>	<u>\$ 320,424</u>	<u>\$ 2,011,911</u>	<u>\$ 320,318</u>	<u>\$ 5,577,494</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	City/Federal State Aid Projects	Community Development Block Grant	Lynchburg Business Development Centre	Museum System	Law Library	Forfeited Assets	Comprehensive Services Act
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,358,175	1,050,155	-	-	-	81,457	3,732,178
Revenue from use of money and property	3,948	-	29,826	-	-	1,554	-
Charges for services	119,478	79,792	-	17,911	67,986	-	1,644,849
Miscellaneous	5,109	12,458	-	3,993	-	-	197,625
Total revenues	3,486,710	1,142,405	29,826	21,904	67,986	83,011	5,574,652
Expenditures							
Current operating expenditures							
General government	-	-	-	-	-	-	-
Judicial	968,745	-	-	-	-	23,339	-
Public safety	1,478,532	-	-	-	-	42,042	-
Public works	-	-	-	-	-	-	-
Health and human services	1,662,932	-	-	-	-	-	5,767,178
Cultural and recreational	-	-	-	4,515	21,265	-	-
Community development	56,604	954,439	29,826	-	-	-	-
Debt service							
Principal retirements	180,000	-	-	-	-	-	-
Interest payments and other fiscal charges	77,944	-	-	-	-	-	-
Total expenditures	4,424,757	954,439	29,826	4,515	21,265	65,381	5,767,178
Excess (deficiency) of revenues over expenditures	(938,047)	187,966	-	17,389	46,721	17,630	(192,526)
Other financing sources (uses)							
Issuance of refunding bonds	-	-	-	-	-	-	-
Refunded bond principal payments	-	-	-	-	-	-	-
Transfers in	223,261	-	-	-	-	10	-
Transfers out	(10)	-	-	(19,805)	(26,150)	(39,320)	-
Total other financing sources (uses)	223,251	-	-	(19,805)	(26,150)	(39,310)	-
Net changes in fund balances	(714,796)	187,966	-	(2,416)	20,571	(21,680)	(192,526)
Fund balances (deficits) - beginning	657,431	(126,542)	125,384	16,497	21,105	278,575	135,261
Fund balances (deficits) - ending	\$ (57,365)	\$ 61,424	\$ 125,384	\$ 14,081	\$ 41,676	\$ 256,895	\$ (57,265)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 31,439	\$ 31,439
Intergovernmental	-	120,239	1,188,782	-	-	9,530,986
Revenue from use of money and property	-	-	1,030	68,348	862,738	967,444
Charges for services	-	-	1,759,544	-	267,997	3,957,557
Miscellaneous	10,000	5,239	4	4,675	307,200	546,303
Total revenues	<u>10,000</u>	<u>125,478</u>	<u>2,949,360</u>	<u>73,023</u>	<u>1,469,374</u>	<u>15,033,729</u>
Expenditures						
Current operating expenditures						
General government	-	-	3,355	588,955	-	592,310
Judicial	-	-	-	-	-	992,084
Public safety	-	-	2,601,198	-	-	4,121,772
Public works	28,893	-	-	-	-	28,893
Health and human services	-	-	-	-	-	7,430,110
Cultural and recreational	-	-	-	-	1,482,953	1,508,733
Community development	-	120,239	-	-	-	1,161,108
Debt service						
Principal retirements	-	-	310,970	-	96,180	587,150
Interest payments and other fiscal charges	-	-	108,336	-	120,983	307,263
Total expenditures	<u>28,893</u>	<u>120,239</u>	<u>3,023,859</u>	<u>588,955</u>	<u>1,700,116</u>	<u>16,729,423</u>
Excess (deficiency) of revenues over expenditures	<u>(18,893)</u>	<u>5,239</u>	<u>(74,499)</u>	<u>(515,932)</u>	<u>(230,742)</u>	<u>(1,695,694)</u>
Other financing sources (uses)						
Issuance of refunding bonds	-	-	717,904	-	-	717,904
Refunded bond principal payments	-	-	(707,898)	-	-	(707,898)
Transfers in	-	-	-	818,042	194,467	1,235,780
Transfers out	-	-	-	(215,000)	-	(300,285)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,006</u>	<u>603,042</u>	<u>194,467</u>	<u>945,501</u>
Net changes in fund balances	<u>(18,893)</u>	<u>5,239</u>	<u>(64,493)</u>	<u>87,110</u>	<u>(36,275)</u>	<u>(750,193)</u>
Fund balances (deficits) - beginning	<u>24,376</u>	<u>(16,772)</u>	<u>179,729</u>	<u>1,859,989</u>	<u>350,495</u>	<u>3,505,528</u>
Fund balances (deficits) - ending	<u>\$ 5,483</u>	<u>\$ (11,533)</u>	<u>\$ 115,236</u>	<u>\$ 1,947,099</u>	<u>\$ 314,220</u>	<u>\$ 2,755,335</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,783,342	\$ 6,701,724	\$ 3,358,175	\$ (3,343,549)
Revenue from use of money and property	-	-	3,948	3,948
Charges for services	-	-	119,478	119,478
Miscellaneous	56,625	61,625	5,109	(56,516)
Total revenues	3,839,967	6,763,349	3,486,710	(3,276,639)
Expenditures				
Current operating expenditures				
Judicial	1,046,233	1,864,320	968,745	895,575
Public safety	215,000	1,539,824	1,478,532	61,292
Health and human services	1,770,739	1,770,358	1,662,932	107,426
Community development	968,688	1,183,164	56,604	1,126,560
Debt service				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	77,944	(77,944)
Total expenditures	4,000,660	6,357,666	4,424,757	1,932,909
Excess (deficiency) of revenues over expenditures	(160,693)	405,683	(938,047)	(1,343,730)
Other financing sources (uses)				
Transfers in	160,693	245,067	223,261	(21,806)
Transfers out	-	-	(10)	(10)
Total other financing sources (uses)	160,693	245,067	223,251	(21,816)
Net changes in fund balances	-	650,750	(714,796)	(1,365,546)
Fund balances - beginning	657,431	657,431	657,431	-
Fund balances (deficits) - ending	\$ 657,431	\$ 1,308,181	\$ (57,365)	\$ (1,365,546)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 780,392	\$ 1,881,202	\$ 1,050,155	\$ (831,047)
Charges for services	81,355	26,335	79,792	53,457
Miscellaneous	-	-	12,458	12,458
Total revenues	861,747	1,907,537	1,142,405	(765,132)
Expenditures				
Current operating expenditures				
Community development	861,747	1,863,918	954,439	909,479
Total expenditures	861,747	1,863,918	954,439	909,479
Net changes in fund balances	-	43,619	187,966	144,347
Fund deficits - beginning	(126,542)	(126,542)	(126,542)	-
Fund balances (deficits) - ending	\$ (126,542)	\$ (82,923)	\$ 61,424	\$ 144,347

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Museum System Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 17,500	\$ 17,500	\$ 17,911	\$ 411
Miscellaneous	600	600	3,993	3,393
Total revenues	18,100	18,100	21,904	3,804
Expenditures				
Current operating expenditures				
Cultural and recreational	7,995	7,995	4,515	3,480
Total expenditures	7,995	7,995	4,515	3,480
Excess (deficiency) of revenues over expenditures	10,105	10,105	17,389	7,284
Other financing sources (uses)				
Transfers out	-	(19,805)	(19,805)	-
Total other financing sources (uses)	-	(19,805)	(19,805)	-
Net changes in fund balances	10,105	(9,700)	(2,416)	7,284
Fund balances - beginning	16,497	16,497	16,497	-
Fund balances - ending	\$ 26,602	\$ 6,797	\$ 14,081	\$ 7,284

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Law Library Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 60,000	\$ 60,000	\$ 67,986	\$ 7,986
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>67,986</u>	<u>7,986</u>
Expenditures				
Current operating expenditures				
Cultural and recreational	<u>28,770</u>	<u>29,289</u>	<u>21,265</u>	<u>8,024</u>
Total expenditures	<u>28,770</u>	<u>29,289</u>	<u>21,265</u>	<u>8,024</u>
Excess of revenues over expenditures	<u>31,230</u>	<u>30,711</u>	<u>46,721</u>	<u>16,010</u>
Other financing sources (uses)				
Transfers out	<u>(26,150)</u>	<u>(26,150)</u>	<u>(26,150)</u>	<u>-</u>
Total other financing sources (uses)	<u>(26,150)</u>	<u>(26,150)</u>	<u>(26,150)</u>	<u>-</u>
Net changes in fund balances	<u>5,080</u>	<u>4,561</u>	<u>20,571</u>	<u>16,010</u>
Fund balances - beginning	<u>21,105</u>	<u>21,105</u>	<u>21,105</u>	<u>-</u>
Fund balances - ending	<u>\$ 26,185</u>	<u>\$ 25,666</u>	<u>\$ 41,676</u>	<u>\$ 16,010</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 99,309	\$ 125,142	\$ 81,457	\$ (43,685)
Revenue from use of money and property	-	-	1,554	1,554
Total revenues	<u>99,309</u>	<u>125,142</u>	<u>83,011</u>	<u>(42,131)</u>
Expenditures				
Current operating expenditures				
Judicial	-	62,343	23,339	39,004
Public safety	99,309	244,894	42,042	202,852
Total expenditures	<u>99,309</u>	<u>307,237</u>	<u>65,381</u>	<u>241,856</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(182,095)</u>	<u>17,630</u>	<u>199,725</u>
Other financing sources (uses)				
Transfers in	-	-	10	10
Transfers out	-	(19,966)	(39,320)	(19,354)
Total other financing sources (uses)	<u>-</u>	<u>(19,966)</u>	<u>(39,310)</u>	<u>(19,344)</u>
Net changes in fund balances	<u>-</u>	<u>(202,061)</u>	<u>(21,680)</u>	<u>180,381</u>
Fund balances - beginning	<u>278,575</u>	<u>278,575</u>	<u>278,575</u>	<u>-</u>
Fund balances - ending	<u>\$ 278,575</u>	<u>\$ 76,514</u>	<u>\$ 256,895</u>	<u>\$ 180,381</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 2,741,434	\$ 3,687,946	\$ 3,732,178	\$ 44,232
Charges for services	1,129,849	1,888,078	1,644,849	(243,229)
Miscellaneous	110,000	153,918	197,625	43,707
Total revenues	3,981,283	5,729,942	5,574,652	(155,290)
Expenditures				
Current operating expenditures				
Health and human services	3,981,283	5,536,516	5,767,178	(230,662)
Total expenditures	3,981,283	5,536,516	5,767,178	(230,662)
Net changes in fund balances	-	193,426	(192,526)	(385,952)
Fund balances - beginning	135,261	135,261	135,261	-
Fund balances (deficits) - ending	\$ 135,261	\$ 328,687	\$ (57,265)	\$ (385,952)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 420,693	\$ 739,869	\$ 120,239	\$ (619,630)
Miscellaneous	-	(45,877)	5,239	51,116
Total revenues	<u>420,693</u>	<u>693,992</u>	<u>125,478</u>	<u>(568,514)</u>
Expenditures				
Current operating expenditures				
Community development	<u>420,693</u>	<u>699,418</u>	<u>120,239</u>	<u>579,179</u>
Total expenditures	<u>420,693</u>	<u>699,418</u>	<u>120,239</u>	<u>579,179</u>
Net changes in fund balances	-	(5,426)	5,239	10,665
Fund deficits - beginning	<u>(16,772)</u>	<u>(16,772)</u>	<u>(16,772)</u>	<u>-</u>
Fund deficits - ending	<u>\$ (16,772)</u>	<u>\$ (22,198)</u>	<u>\$ (11,533)</u>	<u>\$ 10,665</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Home Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,156,985	\$ 1,156,985	\$ 1,188,782	\$ 31,797
Revenue from use of money and property	-	1,030	1,030	-
Charges for services	1,878,336	1,878,336	1,759,544	(118,792)
Miscellaneous	-	-	4	4
Total revenues	3,035,321	3,036,351	2,949,360	(86,991)
Expenditures				
Current operating expenditures				
General government	4,701	3,862	3,355	507
Public safety	2,640,496	2,636,242	2,601,198	35,044
Debt service				
Principal retirements	295,272	310,970	310,970	-
Interest payments and other fiscal charges	94,852	108,341	108,336	5
Total expenditures	3,035,321	3,059,415	3,023,859	35,556
Deficiency of revenues over expenditures	-	(23,064)	(74,499)	(51,435)
Other financing sources (uses)				
Issuance of refunding bonds	-	717,904	717,904	-
Refunded bond principal payments	-	(707,898)	(707,898)	-
Total other financing sources (uses)	-	10,006	10,006	-
Net changes in fund balances	-	(13,058)	(64,493)	(51,435)
Fund balances - beginning	179,729	179,729	179,729	-
Fund balances - ending	\$ 179,729	\$ 166,671	\$ 115,236	\$ (51,435)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Technology Services Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 68,348	\$ 38,348
Miscellaneous	-	-	4,675	4,675
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>73,023</u>	<u>43,023</u>
Expenditures				
Current operating expenditures				
General government	1,725,863	1,866,082	588,955	1,277,127
Total expenditures	<u>1,725,863</u>	<u>1,866,082</u>	<u>588,955</u>	<u>1,277,127</u>
Deficiency of revenues over expenditures	<u>(1,695,863)</u>	<u>(1,836,082)</u>	<u>(515,932)</u>	<u>1,320,150</u>
Other financing sources (uses)				
Transfers in	679,353	818,042	818,042	-
Transfers out	-	(215,000)	(215,000)	-
Total other financing sources (uses)	<u>679,353</u>	<u>603,042</u>	<u>603,042</u>	<u>-</u>
Net changes in fund balances	<u>(1,016,510)</u>	<u>(1,233,040)</u>	<u>87,110</u>	<u>1,320,150</u>
Fund balances - beginning	<u>1,859,989</u>	<u>1,859,989</u>	<u>1,859,989</u>	<u>-</u>
Fund balances - ending	<u>\$ 843,479</u>	<u>\$ 626,949</u>	<u>\$ 1,947,099</u>	<u>\$ 1,320,150</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Baseball Stadium Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 36,000	\$ 36,000	\$ 31,439	\$ (4,561)
Revenue from use of money and property	867,000	867,000	862,738	(4,262)
Charges for services	305,000	305,000	267,997	(37,003)
Miscellaneous	311,000	311,000	307,200	(3,800)
Total revenues	<u>1,519,000</u>	<u>1,519,000</u>	<u>1,469,374</u>	<u>(49,626)</u>
Expenditures				
Current operating expenditures				
Cultural and recreational	1,480,090	1,516,148	1,482,953	33,195
Debt service				
Principal retirements	96,180	96,180	96,180	-
Interest payments and other fiscal charges	120,983	120,983	120,983	-
Total expenditures	<u>1,697,253</u>	<u>1,733,311</u>	<u>1,700,116</u>	<u>33,195</u>
Deficiency of revenues over expenditures	<u>(178,253)</u>	<u>(214,311)</u>	<u>(230,742)</u>	<u>(16,431)</u>
Other financing sources (uses)				
Transfers in	194,467	194,467	194,467	-
Transfers out	(31,000)	-	-	-
Total other financing sources (uses)	<u>163,467</u>	<u>194,467</u>	<u>194,467</u>	<u>-</u>
Net changes in fund balances	<u>(14,786)</u>	<u>(19,844)</u>	<u>(36,275)</u>	<u>(16,431)</u>
Fund balances - beginning	<u>350,495</u>	<u>350,495</u>	<u>350,495</u>	<u>-</u>
Fund balances - ending	<u>\$ 335,709</u>	<u>\$ 330,651</u>	<u>\$ 314,220</u>	<u>\$ (16,431)</u>

Balance Sheet
School Capital Projects
June 30, 2008

	School Capital Projects
Assets	
Cash and cash equivalents	\$ 2,403,881
Investments	<u>1,978,392</u>
Total assets	<u><u>\$ 4,382,273</u></u>
Liabilities and fund balances	
Liabilities	
Accounts payable	<u>\$ 244,147</u>
Total liabilities	<u>244,147</u>
Fund Balances	
Reserved for:	
Encumbrances	26,585,304
Unreserved:	
Undesignated	<u>(22,447,178)</u>
Total fund balances	<u>4,138,126</u>
Total liabilities and fund balances	<u><u>\$ 4,382,273</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
School Capital Projects
For the Year Ended June 30, 2008

	School Capital Projects
Revenues	
Intergovernmental	\$ 264,176
Miscellaneous	<u>6,600</u>
Total revenues	<u>270,776</u>
Expenditures	
Current operating expenditures	
Education	102,702
Capital outlay	
Capital general government	<u>3,442,949</u>
Total expenditures	<u>3,545,651</u>
Deficiency of revenues over expenditures	<u>(3,274,875)</u>
Other financing sources	
Issuance of bonds	1,343,389
Transfers in	<u>502,320</u>
Total other financing sources	<u>1,845,709</u>
Net changes in fund balances	(1,429,166)
Fund balances - beginning	<u>5,567,292</u>
Fund balances - ending	<u><u>\$ 4,138,126</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,783,805	\$ 690,305	\$ 264,176	\$ (426,129)
Miscellaneous	-	-	6,600	6,600
Total revenues	<u>1,783,805</u>	<u>690,305</u>	<u>270,776</u>	<u>(419,529)</u>
Expenditures				
Current operating expenditures				
Education	813,000	577,559	102,702	474,857
Capital outlay				
Capital general government	<u>10,452,806</u>	<u>4,286,676</u>	<u>3,442,949</u>	<u>843,727</u>
Total expenditures	<u>11,265,806</u>	<u>4,864,235</u>	<u>3,545,651</u>	<u>1,318,584</u>
Deficiency of revenues over expenditures	<u>(9,482,001)</u>	<u>(4,173,930)</u>	<u>(3,274,875)</u>	<u>899,055</u>
Other financing sources				
Issuance of bonds	9,482,001	16,355,756	1,343,389	(15,012,367)
Transfers in	-	502,320	502,320	-
Total other financing sources	<u>9,482,001</u>	<u>16,858,076</u>	<u>1,845,709</u>	<u>(15,012,367)</u>
Net changes in fund balances	-	12,684,146	(1,429,166)	(14,113,312)
Fund balances - beginning	<u>5,567,292</u>	<u>5,567,292</u>	<u>5,567,292</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,567,292</u>	<u>\$ 18,251,438</u>	<u>\$ 4,138,126</u>	<u>\$ (14,113,312)</u>

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2008

	Special Welfare	Central Virginia Regional Radio Board	Total Agency
Assets			
Cash and cash equivalents	\$ 93,673	\$ 523,430	\$ 617,103
Total Assets	<u>\$ 93,673</u>	<u>\$ 523,430</u>	<u>\$ 617,103</u>
Liabilities			
Accounts payable	\$ 4,245	\$ -	\$ 4,245
Due to other governments	-	135,756	135,756
Amounts held for others	89,428	387,674	477,102
Total Liabilities	<u>\$ 93,673</u>	<u>\$ 523,430</u>	<u>\$ 617,103</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 107,696	\$ 224,943	\$ 238,966	\$ 93,673
Total Assets	\$ 107,696	\$ 224,943	\$ 238,966	\$ 93,673
Liabilities				
Accounts payable	\$ 4,828	\$ 26,844	\$ 27,427	\$ 4,245
Amounts held for others	102,868	257,801	271,241	89,428
Total Liabilities	\$ 107,696	\$ 284,645	\$ 298,668	\$ 93,673
<u>Central Virginia Regional Radio Board</u>				
Assets				
Cash and cash equivalents	\$ 289,776	\$ 1,698,476	\$ 1,464,822	\$ 523,430
Receivables, net of allowance				
Other	12,428	-	12,428	-
Due from other governments	-	459,894	459,894	-
Total Assets	\$ 302,204	\$ 2,158,370	\$ 1,937,144	\$ 523,430
Liabilities				
Due to other governments	\$ -	\$ 172,077	\$ 36,321	\$ 135,756
Amounts held for others	302,204	1,728,122	1,642,652	387,674
Total Liabilities	\$ 302,204	\$ 1,900,199	\$ 1,678,973	\$ 523,430
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 397,472	\$ 1,923,419	\$ 1,703,788	\$ 617,103
Receivables, net of allowance				
Other	12,428	-	12,428	-
Due from other governments	-	459,894	459,894	-
Total Assets	\$ 409,900	\$ 2,383,313	\$ 2,176,110	\$ 617,103
Liabilities				
Accounts payable	\$ 4,828	\$ 26,844	\$ 27,427	\$ 4,245
Due to other governments	-	172,077	36,321	135,756
Amounts held for others	405,072	1,985,923	1,913,893	477,102
Total Liabilities	\$ 409,900	\$ 2,184,844	\$ 1,977,641	\$ 617,103

CITY OF LYNCHBURG, VIRGINIA

Discretely Presented Component Unit – Lynchburg City Schools
As of June 30, 2008

Discretely Presented Component Unit – Lynchburg City Schools:

The Lynchburg City Schools operates one pre-school, eleven elementary, one special education, three middle, and two high schools in the City. The funds and account groups of the schools are described below:

- School Operating Fund – Accounts for the primary operating activities of the Lynchburg City Schools.
- School Federal Aid Fund – Accounts for the various federal and state grants for the educational purposes of the Lynchburg City Schools. Also accounts for the activities of the Central Virginia Governor’s School for Science and Technology, a regional program supported by the City of Lynchburg and four surrounding counties, for which Lynchburg City Schools serves as fiscal agent.
- School Cafeteria Fund – Accounts for revenues received from the sale of food in the Lynchburg City Schools.

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2008

	School Operating	School Federal Aid	School Cafeteria	Total Government
Assets				
Cash and cash equivalents	\$ 9,197,483	\$ 107,249	\$ 1,217,638	\$ 10,522,370
Cash and cash equivalents, restricted	507,055	-	-	507,055
Receivables, net	215,867	-	179	216,046
Due from other funds	647,472	-	352,379	999,851
Due from other governments	2,256,635	1,847,145	-	4,103,780
Inventory	-	-	73,035	73,035
Total assets	\$ 12,824,512	\$ 1,954,394	\$ 1,643,231	\$ 16,422,137
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 641,381	\$ 500,627	\$ 12,636	\$ 1,154,644
Due to other funds	352,379	647,472	-	999,851
Due to primary government	137,918	-	-	137,918
Deferred revenue	947,275	481,236	-	1,428,511
Accrued liabilities	10,082,410	704,224	30,555	10,817,189
Total liabilities	12,161,363	2,333,559	43,191	14,538,113
Fund balances:				
Reserved for:				
Encumbrances	156,094	-	-	156,094
Capital projects	507,055	-	-	507,055
Inventory	-	-	73,035	73,035
Unreserved:				
Undesignated	-	(379,165)	1,527,005	1,147,840
Total fund balances	663,149	(379,165)	1,600,040	1,884,024
Total liabilities and fund balances	\$ 12,824,512	\$ 1,954,394	\$ 1,643,231	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,555,643
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.	1,402,823
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,498,048)
Net assets of governmental activities	<u>\$ 2,344,442</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008

	School Operating	School Federal Aid	School Cafeteria	Total Governmental
Revenues				
Intergovernmental	\$ 82,325,106	\$ 6,292,335	\$ 2,266,302	\$ 90,883,743
Revenue from use of money and property	34,279	-	2,204	36,483
Charges for services	1,380,153	550,141	799,418	2,729,712
Miscellaneous	208,542	76,193	3,653	288,388
Total revenues	83,948,080	6,918,669	3,071,577	93,938,326
Expenditures				
Education:				
Instruction	63,943,555	6,689,148	-	70,632,703
Administration, attendance and health	4,301,683	170,583	-	4,472,266
Pupil transportation services	4,698,221	-	-	4,698,221
Operations and maintenance	9,876,043	36,565	3,003,385	12,915,993
Capital outlay	1,779,204	671,998	15,887	2,467,089
Debt service:				
Principal retirement	834,058	-	-	834,058
Interest payments	93,842	-	-	93,842
Total expenditures	85,526,606	7,568,294	3,019,272	96,114,172
Excess (deficiency) of revenues over expenditures	(1,578,526)	(649,625)	52,305	(2,175,846)
Other Financing Sources				
Capital lease proceeds	1,000,000	-	-	1,000,000
Net change in fund balances	(578,526)	(649,625)	52,305	(1,175,846)
Fund balance - beginning	1,241,675	270,460	1,547,735	
Fund balance - ending	\$ 663,149	\$ (379,165)	\$ 1,600,040	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$893,033) exceeded depreciation expense (\$482,322).	410,711
Compensated absences are not due and payable at June 30 and, therefore, are not reported in the fund statements.	82,912
Other-post retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(522,228)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	647,210
The issuance of long term debt (e.g. capital leases) provides current financial resources to governmental funds, but has no effect on net assets.	(1,000,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	834,058
Change in net assets of governmental activities.	\$ (723,183)

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 83,052,321	\$ 83,554,742	\$ 82,463,024	\$ (1,091,718)
Revenue from use of money and property	-	-	34,279	34,279
Charges for services	606,775	606,775	1,380,153	773,378
Miscellaneous	125,000	125,000	208,542	83,542
Total revenues	83,784,096	84,286,517	84,085,998	(200,519)
Expenditures				
Education:				
Instruction	61,850,017	62,937,435	63,943,555	(1,006,120)
Administration, attendance and health	3,844,546	3,939,729	4,301,683	(361,954)
Pupil transportation services	5,919,743	5,436,335	4,698,221	738,114
Operations and maintenance	9,706,739	10,083,648	9,876,043	207,605
Capital outlay	2,589,861	2,016,180	1,779,204	236,976
Debt service	873,190	873,190	927,900	(54,710)
Total expenditures	84,784,096	85,286,517	85,526,606	(240,089)
Deficiency of revenues over expenditures	(1,000,000)	(1,000,000)	(1,440,608)	(440,608)
Other Financing Sources				
Capital lease proceeds	1,000,000	1,000,000	1,000,000	-
Net change in fund balances	\$ -	\$ -	(440,608)	\$ (440,608)
Less return of funds to the City			(137,918)	
			\$ (578,526)	

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2008

	<u>Agency Fund</u>
Assets	
Investments	<u><u>\$ 105,542</u></u>
Liabilities	
Amounts held for others	<u><u>\$ 105,542</u></u>

Combining Statement of Net Assets
Other Component Units
June 30, 2008

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 393,570	\$ -	\$ 393,570
Receivables (net of allowance for uncollectibles)	749,330	23,676	773,006
Due from primary government	-	219,843	219,843
Due from other governments	-	101,891	101,891
Prepaid and other assets	605	16,940	17,545
Inventory	-	255,994	255,994
Capital assets:			
Non-depreciable	-	55,031	55,031
Depreciable	8,076	6,450,912	6,458,988
Total assets	<u>1,151,581</u>	<u>7,124,287</u>	<u>8,275,868</u>
Liabilities			
Current liabilities:			
Bank overdraft	-	56,360	56,360
Accounts payable and other current liabilities	682,234	270,688	952,922
Notes payable, bank	-	250,000	250,000
Due to primary government	130,000	-	130,000
Total current liabilities	<u>812,234</u>	<u>577,048</u>	<u>1,389,282</u>
Noncurrent liabilities:			
Compensated absences	-	49,759	49,759
Total noncurrent liabilities	<u>-</u>	<u>49,759</u>	<u>49,759</u>
Total liabilities	<u>812,234</u>	<u>626,807</u>	<u>1,439,041</u>
Net assets			
Invested in capital assets, net of related debt	-	6,505,943	6,505,943
Net assets, unrestricted	339,347	(8,463)	330,884
Total net assets	<u>\$ 339,347</u>	<u>\$ 6,497,480</u>	<u>\$ 6,836,827</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Component Units
For the Year Ended June 30, 2008

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 236,042	\$ 996,679	\$ 1,232,721
Total operating revenues	<u>236,042</u>	<u>996,679</u>	<u>1,232,721</u>
Operating expenses			
Operations	375,778	4,217,986	4,593,764
Administration	10,887	1,055,074	1,065,961
Maintenance and repairs	28,286	1,587,022	1,615,308
Total operating expenses	<u>414,951</u>	<u>6,860,082</u>	<u>7,275,033</u>
Operating loss	<u>(178,909)</u>	<u>(5,863,403)</u>	<u>(6,042,312)</u>
Nonoperating revenue			
Operating funds from City of Lynchburg	-	1,246,467	1,246,467
Operating funds from Counties	-	32,078	32,078
Operating funds from Liberty University	-	1,014,660	1,014,660
Donations and grants	148,675	2,445,857	2,594,532
Gain on sale of property and equipment	-	6,050	6,050
Total nonoperating revenue	<u>148,675</u>	<u>4,745,112</u>	<u>4,893,787</u>
Capital contributions	-	4,959,082	4,959,082
Change in net assets	<u>(30,234)</u>	<u>3,840,791</u>	<u>3,810,557</u>
Total net assets - beginning	<u>369,581</u>	<u>2,656,689</u>	<u>3,026,270</u>
Total net assets - ending	<u>\$ 339,347</u>	<u>\$ 6,497,480</u>	<u>\$ 6,836,827</u>

**Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2008**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 407,094	\$ 1,001,594	\$ 1,408,688
Cash paid to employees	(229,766)	(2,316,851)	(2,546,617)
Cash paid to suppliers for goods and services	(156,548)	(3,485,156)	(3,641,704)
New loans disbursed	(347,800)	-	(347,800)
Net cash used in operating activities	(327,020)	(4,800,413)	(5,127,433)
Noncapital financing activities			
Subsidies	-	4,745,965	4,745,965
Operating grants and contributions	148,675	-	148,675
Net cash provided from noncapital financing activities	148,675	4,745,965	4,894,640
Capital and related financing activities			
Capital contributions received	-	5,101,335	5,101,335
Net change in line of credit	-	(200,000)	(200,000)
Additions to capital assets	-	(4,894,361)	(4,894,361)
Proceeds from sale of capital assets	-	6,050	6,050
Net cash provided from capital and related financing activities	-	13,024	13,024
Net decrease in cash and cash equivalents/investments	(178,345)	(41,424)	(219,769)
Cash and cash equivalents/investments			
Beginning of year	571,915	(14,936)	556,979
End of year	\$ 393,570	\$ (56,360)	\$ 337,210
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (178,909)	\$ (5,863,403)	\$ (6,042,312)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	4,520	1,037,600	1,042,120
Decrease (Increase) in receivables	(181,956)	4,914	(177,042)
Increase in prepaid expenses and other assets	(605)	(2,076)	(2,681)
Increase in inventory	-	(85,021)	(85,021)
Increase in accounts payable and other current liabilities	42,631	94,710	137,341
Increase in compensated absences	-	12,863	12,863
Decrease in amounts due to primary government	(12,701)	-	(12,701)
Net cash used in operating activities	\$ (327,020)	\$ (4,800,413)	\$ (5,127,433)

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SUPPLEMENTAL SCHEDULES

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

	Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Juvenile Justice:			
School Breakfast Program	10.553	\$	61,924
National School Lunch Program	10.555		4,155
Department of Social Services:			
Food Stamp Administration	10.561		901,565
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Commonwealth of Virginia:			
Department of Social Services:			
Family Preservation and Support	93.556		171,602
TANF Block Grant	93.558		878,913
Refugee and Entrant Assistance State - Administered Programs	93.566		3,869
Low Income Energy Assistance	93.568		18,436
Child Care Assistance	93.575		374,077
Child Care Development Fund	93.596		541,322
Chafee Education and Training Vouchers Program (ETV)	93.599		13,470
Child Welfare Services	93.645		6,759
Foster Care - Title IV-E	93.658		1,398,491
Adoption Assistance	93.659		512,754
Social Services Block Grant	93.667		1,092,030
Independent Living	93.674		76,685
Children's Insurance Program	93.767		43,413
Medicaid Assistance	93.778		684,487
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through Commonwealth of Virginia:			
AmeriCorps	94.006		7,237
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program, Entitlement Grants	14.218		954,440
Shelter Plus Care	14.238		53,612
Home Investment Partnership Program	14.239		120,239
DEPARTMENT OF JUSTICE			
Direct Payments:			
Domestic Violence Block Grant	16.530		221,801
Bulletproof Vest Partnership	16.607		4,347
Community Prosecution and Project Safe Neighborhoods	16.609		100,913
Passed through Commonwealth of Virginia:			
Department of Criminal Justice Services:			
Victim-Witness Services	16.575		181,077
Byrne Formula Grant - Drug Control and Systems Improvements	16.579		44,393
DEPARTMENT OF LABOR			
Passed through Commonwealth of Virginia:			
Employment and Training Administration:			
WIA Adult Program	17.258		428,878
WIA Youth Activities	17.259		326,433
WIA Dislocated Workers	17.260		333,939
FEDERAL AVIATION ADMINISTRATION			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program	20.106		4,833,321
Airport LEO Cooperative Agreement	97.090		100,390

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

(Continued)

	Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Highway Planning and Construction		20.205	210,726
Passed through Commonwealth of Virginia:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Grants		20.600	30,171
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Commonwealth of Virginia:			
Virginia Resources Authority:			
Revolving Loan		66.458	880,863
EPA Grant		66.606	62,700
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Commonwealth of Virginia:			
Department of Emergency Services:			
Law Enforcement Terrorism		97.004	5,000
<u>COMPONENT UNIT - LYNCHBURG SCHOOLS</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program		10.555	1,858,310
National School Breakfast Program		10.553	566,023
DEPARTMENT OF EDUCATION			
Passed through Commonwealth of Virginia:			
Adult Education State Grant Program		84.002	12,431
Title I - Educationally Deprived Children - LEA		84.010	3,562,264
Title I - Neglected and Delinquent Children		84.013	11,039
Elementary and Secondary Education Act (ESEA):			
Title IV-B - Elementary and Secondary Education Act of 1965		84.287	158,077
Title VI - Innovative Education Program Strategies		84.298	37,123
Title VI-B - Special Education		84.027	2,095,927
Special Education Preschool Grants		84.173	63,287
Technology Literacy Challenge Fund Grants		84.318	37,288
Advanced Placement Programs (Title I, Part G)		84.330	1,643
English Language Acquisition Grants		84.365	25,033
Title II - Part A Funds		84.367	583,688
Title VIII Impact Aid		84.041	1,437
Post Secondary Education Programs:			
Title IV - Higher Education Act		84.334	310,507
Vocational Education:			
Basic Grants to States		84.048	238,666
Drug Free Schools and Communities		84.186	55,899
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:			
Title X-C -No Child Left Behind Act		84.000	36,771
DEPARTMENT OF MEDICAL ASSISTANCE SERVICES			
Direct Payments:			
Medicaid		93.768	171,468
TOTAL			\$ 25,511,313

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2008

Note 1. Significant Accounting Policy

Basis of Accounting:

The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting.

Note 2. Business Development Centre, Inc. – Revolving Loan Fund

The Centre administers the Economic Development Administration Special Economic Adjustment Assistance Revolving Loan Fund Program CFDA 11.307 (01-49-03245) on behalf of the City of Lynchburg. Loans under this program are subject to various restrictions as determined by the Economic Development Administration.

The Centre received the funds indicated as follows through the fiscal year ended June 30, 1998. No funds have been received since that date.

	Federal	State	Local
Amount received through June 30, 1993	\$ 45,000	\$ -	\$ 24,000
Amount received through June 30, 1994	127,836	-	33,612
Amount received through June 30, 1995	44,027	-	14,676
Amount received through June 30, 1996	108,201	-	36,067
Bad debt charge off for the year ended June 30, 1996	(3,005)	-	(1,002)
Amount received through June 30, 1997	10,268	-	3,423
Recapitalized from earnings for the year ended June 30, 1997	3,005	-	1,002
Amount received through June 30, 1998	159,668	40,000	13,222
	<u>\$ 495,000</u>	<u>\$ 40,000</u>	<u>\$ 125,000</u>

Note 3. Non-monetary Assistance

Non-monetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities.

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2008

Note 4. Subgrantees

The federal expenditures for the Community Development Block Grant, the Home Investment Partnership, and the Workforce Investment Act Cluster programs include grants to subrecipients as follows:

Subrecipient	Community Development Block Grant	Home Investment Partnership Act	Workforce Investment Act Cluster
Amazement Square Museum	\$ 6,000	\$ -	\$ -
Camp Kum-Ba-Yah	12,500	-	-
College Hill Neighborhood	600	-	-
Dance Theatre of Lynchburg	5,000	-	-
Greater Lynchburg Habitat	-	32,537	-
Jubilee Family Development Center	21,410	-	-
Legacy Project	1,750	-	-
Lynchburg Community Action Group	98,979	88,789	-
Lynchburg Neighborhoods	45,063	11,460	-
Lynchburg Redevelopment & Housing Authority	246,557	-	-
Miriam's House	27,500	-	-
New Land Industries	32,500	-	-
Rebuilding together	50,856	-	-
Region 2000 Local Governmental Council	-	-	1,089,250
Rush Lifetime Homes	4,260	-	-
United Way – Success by 6	10,816	-	-
White Rock Hill Neighborhood	2,290	-	-
YWCA	32,016	-	-
	<u>\$ 598,097</u>	<u>\$ 132,786</u>	<u>\$ 1,089,250</u>

Note 5. Program Income

In accordance with terms of the Community Development Block Grant Program, program income totaling \$79,792 was used to reduce the amount of federal funds in conjunction with the program's objective.

Note 6. Virginia Revolving Loan Fund (CFDA 66.458)

At June 30, 2008, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$84,425,645, which includes \$ 24,936,851 of federal funds.

SCHEDULE 2**CITY OF LYNCHBURG, VIRGINIA**Schedule of Passenger Facility Charges
As of June 30, 2008

Passenger Facility Charges:

<u>Federal Agency/Program Name/Application Number</u>	<u>PFC Balance July 1, 2007</u>	<u>PFC Collected</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>PFC Balance June 30, 2008</u>
FEDERAL AVIATION ADMINISTRATION					
Passenger facility charges (05-04-C-00-LYH)	\$ 1,765	\$ 197,610	\$ 306	\$ 194,973	\$ 4,708
	<u>\$ 1,765</u>	<u>\$ 197,610</u>	<u>\$ 306</u>	<u>\$ 194,973</u>	<u>\$ 4,708</u>

SCHEDULE 3**CITY OF LYNCHBURG, VIRGINIA**

Schedule of Expenditures of Passenger Facility Charges

As of June 30, 2008

Expenditures of Passenger Facility Charges:

<u>Project</u>	<u>PFC Expenditures</u>
<u>Application 4 (05-04-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,195
Local share reimbursement (AIP-29) Runway 4-22 extension, (construction)	<u>189,778</u>
Total PFC expenditures	<u>\$ 194,973</u>

The accompanying schedule of expenditures of passenger facility charges includes the passenger facility charge activity of the City, and is presented on the cash basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in preparation of, the basic financial statements.

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STATISTICAL SECTION

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STATISTICAL SECTION

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.

CONTENTS

Page

MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 104-108

FINANCIAL TRENDS

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 109-122

REVENUE CAPACITY

Tables 12-17 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 123-128

DEBT CAPACITY

Tables 18-21 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 129-132

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 22-23 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 133-134

OPERATING INFORMATION

Tables 24-27 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 135-138

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Lynchburg implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year. The goal of future reporting is to include ten (10) years.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2008

DATE OF INCORPORATION

Lynchburg was founded by John Lynch in 1757, established as a town in October 1786, incorporated as a town on January 10, 1805 and received independent city status in 1852.

AREA OF CITY

The area of the City consists of 50.107 square miles.

POPULATION

United States Census 1990 (1)	69,900
United States Census 2000 (1)	65,269
United States Census 2005 (1)	67,756
United States Census 2008 (1)	69,738

(1) Source: Weldon Cooper Center for Public Service,
www.coopercenter.org

FORM OF GOVERNMENT

Lynchburg is organized under the Council – Manager form of government. The City Council, comprised of seven members, is elected on either an at-large (3 members) or ward (4 members) representative basis for four-year staggered terms of office. From among the elected City Council members, they choose on or near July 1 of each election year by simple majority vote a Mayor, who serves a two-year term.

Appointed by the City Council, the City Manager serves as the chief administrative officer of the municipal corporation. The City Manager performs the City's administrative and policy-related duties, directs business procedures and has the power of appointment and removal of the heads of all administrative departments as well as other employees of the City. The City Manager's primary focus is on helping Council set priorities, interpreting City Council's actions to the appropriate department, outside organizations and citizens, and providing professional leadership in executing the adopted policies of City Council.

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

By an Act of the General Assembly of Virginia, approved March 31, 1926, all real estate, tangible personal property, and machinery used for manufacturing purposes, were segregated to the City, and these subjects are not liable to any general tax except the City tax.

ASSESSMENTS

The City Assessor of Real Estate appraises the market value of real estate on a biannual assessment cycle. The entire City is reviewed every other year (with values effective the first day of July of the odd years) and adjustments are made where necessary based upon market evidence indicating a change in the value.

The Commissioner of the Revenue is required by law to assess vehicles and motorcycles by means of a recognized pricing guide. For most other personal property, the assessed value is based on a percentage of original cost.

CITY OF LYNCHBURG, VIRGINIA

MISCELLANEOUS STATISTICAL DATA

June 30, 2008

(Continued)

TAX RATES

The Commissioner of Revenue, as required by the *Code of Virginia*, assesses tangible personal property and machinery and tools. The City prorates personal property on a monthly basis.

Real Estate:

- \$1.05 per \$100 assessed value: 2008
- \$1.11 per \$100 assessed value: 1998 – 2007
- \$1.13 per \$100 assessed value: 1997
- \$1.16 per \$100 assessed value: 1995-1996
- \$1.18 per \$100 assessed value: 1990-1994

Tangible Personal Property:

- \$3.80 per \$100 assessed value: 2005-2008
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2008

Local Sales Tax:

- 1% + 4.0% VA tax: 2004-2008
- 1% + 3.5% VA tax: 1998-2003

Utility Consumers' Tax:

- Electricity:
 - Residential – the greater of: \$0.0046 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Commercial – the greater of: \$0.0048 for the first 1,000 kwh (or a fraction thereof) plus \$0.0092 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Industrial – the greater of: \$0.00375 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.

Business, Professional, and Occupational License:

For Business with Gross Receipts/Purchases Exceeding Threshold:

- Threshold
 - Receipts/Purchases \$10,000 and less – No fee
 - Receipts/Purchases \$10,001 - \$50,000 - \$30 flat fee
 - Receipts/Purchases \$50,001 - \$100,000 - \$50 flat fee
- Contractors - \$0.16 per \$100 of gross receipts
- Retail Merchants - \$0.20 per \$100 of gross receipts
- Wholesale Merchants - \$0.28 per \$100 of gross receipts plus \$20 fee when gross purchases are over \$100,000
- Repair, Personal, and Business Services - \$0.36 per \$100 of gross receipts
- Financial Real Estate and Professional Services - \$0.58 per \$100 of gross receipts

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2008
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2004-2008
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2004-2007
- \$25.00 for all types of vehicles: 1990-2003

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2008
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY 2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night. Of the total lodging taxes, 36% is allocated for tourism.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In FY 2004, Lynchburg changed the meals tax from 6.0% to 6.5%.

Ambulance Services:

- Basic Life Services – for the incidents classified as an emergency, the charge is \$350 and an additional \$8 for each mile the patient is transported. If it is classified as a non-emergency, the charge is \$325.
- Advanced Life Support – for the incidents classified as an emergency, the fee is \$450; non-emergency - \$425.
- A fee of \$575 is charged if three or more different medications combined with at least one Advanced Life Support procedure are administered.

TAXES DUE

Real estate taxes are assessed as of the first day of July every other year. Supplemental real estate taxes are levied in June to reflect construction in progress during the fiscal year with a tax due date in August. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15. If paid thereafter, a 10% penalty and interest at the rate of 10% per annum is added.

Personal property taxes are payable in two equal installments on June 5 and December 5. Additional billings for personal property acquisitions are due March 5 and September 5.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2008
(Continued)

DELINQUENT TAXES

Real estate and personal property taxes are reported delinquent the day after the due date. Therefore, the day after each installment due date, if the taxes are unpaid, they are considered delinquent.

OVERLAPPING AREAS AND DEBT

The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the state, being a separate and distinct political unit since 1852.

It is not coterminous with, nor subject to any county or school district taxation, and is not liable for any indebtedness other than its own. It has the power to levy taxes on all real and tangible personal property without limitation of rate or amount.

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 2006, which established major policy goal of maintaining the Undesignated General Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy states:

- The City will maintain a minimum Undesignated General Fund Balance equal to 10% of General Fund revenues. In the event the Undesignated General Fund Balance is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Undesignated General Fund Balance to the minimum of 10% over five fiscal years.
- The City shall not use the Undesignated General Fund Balance to finance recurring operating expenditures.
- Funds in excess of the targeted 10% fund balance may be considered to supplement “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures or as additions to fund balance.

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was revised in 2006 establishing guidelines for the planning, issuance and management of debt, for and on behalf of City of Lynchburg. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. The City shall comply with all its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers’ Association and Securities and Exchange Commission requirements for continuing disclosure. Two types of debt obligations are used by the City:

- Tax supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.
- Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer, solid waste). These are not considered tax-supported debt of the City.

The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2008
(Continued)

BUDGET POLICY

The City council adopted a resolution November 14, 2000 which was revised in 2006.

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

QUARTERLY FINANCIAL REPORTING

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water and Sewer, Airport, Stadium, Comprehensive Services Act, Juvenile Detention, and Solid Waste Funds.

Third Quarter Review

In mid-March, City staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when the potential increases in the appropriation are greater than one percent of revenues.

INVESTMENT POLICY

The City council adopted an investment policy on September 25, 2001, which was revised in 2006 establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

CITY OF LYNCHBURG, VIRGINIA

TABLE 1

**NET ASSETS BY COMPONENT,
LAST SEVEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities							
Invested in capital assets, net of related debt	\$ 127,767,609	\$ 130,892,517	\$ 135,832,636	\$ 140,548,447	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392
Restricted	5,212,611	55,409	-	-	171,844	-	19,975,370
Unrestricted	20,948,687	30,244,439	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507
Total governmental activities net assets	<u>\$ 153,928,907</u>	<u>\$ 161,192,365</u>	<u>\$ 168,163,011</u>	<u>\$ 174,303,067</u>	<u>\$ 185,864,143</u>	<u>\$ 196,675,497</u>	<u>\$ 221,353,269</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 106,057,802	\$ 105,589,397	\$ 112,022,931	\$ 119,234,122	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075
Restricted	1,055,706	7,184,652	-	-	-	1,765	4,708
Unrestricted	14,399,615	15,561,278	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192
Total business-type activities net assets	<u>\$ 121,513,123</u>	<u>\$ 128,335,327</u>	<u>\$ 134,995,055</u>	<u>\$ 146,162,490</u>	<u>\$ 155,211,028</u>	<u>\$ 169,969,592</u>	<u>\$ 179,676,975</u>
Primary government							
Invested in capital assets, net of related debt	\$ 233,825,411	\$ 236,481,914	\$ 247,855,567	\$ 259,782,569	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467
Restricted	6,268,317	7,240,061	-	-	171,844	1,765	19,980,078
Unrestricted	35,348,302	45,805,717	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699
Total primary government net assets	<u>\$ 275,442,030</u>	<u>\$ 289,527,692</u>	<u>\$ 303,158,066</u>	<u>\$ 320,465,557</u>	<u>\$ 341,075,171</u>	<u>\$ 366,645,089</u>	<u>\$ 401,030,244</u>

**CHANGES IN NET ASSETS,
LAST SEVEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
General Government	\$ 13,407,536	\$ 15,127,680	\$ 9,474,943	\$ 10,120,602	\$ 11,727,655	\$ 12,148,875	\$ 13,397,520
Judicial	3,455,684	3,846,581	4,336,165	4,717,917	5,099,725	5,471,591	5,626,570
Public Safety	28,899,317	28,911,487	33,858,886	35,823,077	39,639,402	40,397,195	43,152,656
Public Works	17,930,578	20,819,441	17,638,226	18,764,769	20,760,247	19,643,233	21,511,617
Health and Human Services	19,122,950	19,704,149	20,391,462	21,328,976	20,095,986	23,439,351	27,078,262
Culture and Recreation	2,098,535	4,262,645	7,895,722	8,195,390	8,943,345	9,432,337	10,247,701
Community Development	6,403,903	5,298,688	10,373,473	6,375,560	6,469,555	6,759,110	5,284,797
Education	39,746,612	28,371,163	27,680,572	28,638,013	32,618,426	33,539,288	36,727,401
Interest Payments and Fiscal Charges	2,334,975	4,230,625	3,520,381	4,634,912	4,999,355	5,444,098	5,821,141
Non-departmental	3,327,441	2,806,878	-	-	-	-	-
Issuance Costs	-	-	-	192,828	173,943	-	216,051
Total governmental activities expenses	136,727,531	133,379,337	135,169,830	138,792,044	150,527,639	156,275,078	169,063,716
Business-type activities:							
Solid Waste Management	4,805,161	5,488,691	6,902,366	5,794,660	5,599,954	6,436,950	8,240,113
Airport	3,178,673	3,118,741	3,623,207	3,405,121	3,505,550	3,545,346	3,882,343
Water	8,052,358	7,855,213	8,859,383	8,743,519	9,273,940	9,846,038	11,406,440
Sewer	10,677,119	11,093,129	13,165,634	11,800,236	12,431,230	12,757,627	14,431,645
Total business-type activities expenses	26,713,311	27,555,774	32,550,590	29,743,536	30,810,674	32,585,961	37,960,541
Total primary government expenses	\$ 163,440,842	\$ 160,935,111	\$ 167,720,420	\$ 168,535,580	\$ 181,338,313	\$ 188,861,039	\$ 207,024,257

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Program Revenues (see Table 3)							
Governmental Activities:							
Charges for services:							
General Government	\$ 693,327	\$ 284,055	\$ 416,760	\$ 401,099	\$ 935,539	\$ 398,188	\$ 556,888
Cultural and Recreational	530,239	517,625	1,350,148	1,675,398	1,810,243	1,888,695	1,916,356
Other Activities	8,624,034	6,606,236	5,767,254	7,025,208	8,623,762	8,931,986	9,350,273
Operating Grants and Contributions	26,702,238	28,241,733	34,083,736	29,927,625	31,517,020	33,925,919	36,346,157
Capital Grants and Contributions	3,014,959	3,353,102	2,062,659	4,119,640	2,435,928	2,217,419	24,914,181
Total governmental activities program services	39,564,797	39,002,751	43,680,557	43,148,970	45,322,492	47,362,207	73,083,855
Business-type activities:							
Charges for services:							
Solid Waste Management	4,842,010	5,459,258	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555
Airport	1,187,905	1,586,178	1,480,543	1,637,730	1,762,826	1,848,109	1,839,685
Water	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882
Sewer	12,705,123	13,932,357	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892
Operating Grants and Contributions	508,357	423,729	272,894	311,173	415,801	398,850	406,261
Capital Grants and Contributions	7,602,178	3,982,334	7,203,733	5,562,333	3,066,896	8,918,563	7,490,370
Total business-type activities program revenues	35,157,836	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645
Total primary government program revenues	\$ 74,722,633	\$ 72,993,639	\$ 81,911,568	\$ 81,816,840	\$ 83,544,721	\$ 92,242,741	\$ 118,265,500
Net (Expense) Revenue							
Governmental Activities	\$ (97,162,734)	\$ (94,376,586)	\$ (91,489,273)	\$ (95,643,074)	\$ (105,205,147)	\$ (108,912,871)	\$ (95,979,861)
Business-type Activities	8,444,525	6,435,114	5,680,421	8,924,334	7,411,555	12,294,573	7,221,104
Total Primary Government Net Expenses	\$ (88,718,209)	\$ (87,941,472)	\$ (85,808,852)	\$ (86,718,740)	\$ (97,793,592)	\$ (96,618,298)	\$ (88,758,757)

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property taxes	\$ 44,751,894	\$ 43,783,096	\$ 47,696,680	\$ 49,831,096	\$ 60,191,431	\$ 57,241,907	\$ 63,187,947
Local sales and use taxes	11,905,178	11,027,631	11,528,820	12,221,811	13,319,691	14,481,096	14,266,750
Meals taxes	6,924,931	6,984,195	7,561,387	8,666,117	9,423,830	10,000,796	10,326,953
Consumer utility taxes	6,183,638	6,826,740	6,892,926	8,397,849	6,840,948	5,835,367	4,793,431
Business license taxes	6,561,439	6,712,152	6,507,848	7,032,917	7,675,284	7,922,666	8,010,597
Communications sales and use tax	-	-	-	-	-	1,669,968	3,893,158
Other taxes	5,831,208	6,037,923	6,509,095	6,096,139	6,794,113	6,697,407	5,827,855
Unrestricted intergovernmental	8,627,063	8,961,598	8,450,138	8,405,457	9,434,886	9,687,718	6,227,484
Interest	987,575	613,103	235,434	954,317	1,785,705	3,082,813	3,522,533
Miscellaneous	2,775,382	3,008,299	1,234,747	1,090,845	1,605,259	1,919,538	1,026,286
Transfers	1,322,247	571,552	(217,924)	(469,136)	(304,924)	11,134	(577,893)
Gain (Loss) on sale of assets	277,308	122,302	(22,450)	(705,032)	-	-	152,532
Total governmental activities	96,147,863	94,648,591	96,376,701	101,522,380	116,766,223	118,550,410	120,657,633
Business-type activities:							
Interest	852,564	952,358	340,736	582,522	1,248,981	2,382,245	1,784,508
Miscellaneous	72,254	196,873	331,018	105,329	83,078	92,880	123,878
Transfers	(1,322,247)	(571,552)	217,924	469,136	304,924	(11,134)	577,893
Loss on sale of assets	(15,141)	(190,589)	(334,742)	(363,989)	-	-	-
Total business-type activities	(412,570)	387,090	554,936	792,998	1,636,983	2,463,991	2,486,279
Total primary government	\$ 95,735,293	\$ 95,035,681	\$ 96,931,637	\$ 102,315,378	\$ 118,403,206	\$ 121,014,401	\$ 123,143,912
Changes in Net Assets							
Governmental activities	\$ (1,014,871)	\$ 272,005	\$ 4,887,428	\$ 5,879,306	\$ 11,561,076	\$ 9,637,539	\$ 24,677,772
Business-type activities	8,031,955	6,822,204	6,235,357	9,717,332	9,048,538	14,758,564	9,707,383
Total primary government	\$ 7,017,084	\$ 7,094,209	\$ 11,122,785	\$ 15,596,638	\$ 20,609,614	\$ 24,396,103	\$ 34,385,155

**PROGRAM REVENUES BY FUNCTION/PROGRAM,
LAST SEVEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Function/Program							
Governmental Activities:							
General Government	\$ 1,026,760	\$ 577,940	\$ 716,128	\$ 726,708	\$ 785,105	\$ 734,876	\$ 942,144
Judicial	1,849,060	2,777,001	2,790,371	3,716,905	3,907,807	3,978,858	4,477,871
Public Safety	10,624,762	7,356,929	6,588,169	6,235,060	8,551,169	8,489,027	11,106,642
Public Works	10,057,326	8,854,787	7,557,688	8,821,426	9,246,609	9,143,028	31,409,029
Health and Human Services	10,973,496	13,065,116	15,501,010	15,273,759	15,728,602	17,439,083	20,030,396
Culture and Recreation	745,962	737,337	2,143,741	1,973,444	2,085,063	2,125,708	2,117,677
Community Development	4,226,879	4,004,873	7,060,174	3,114,730	3,658,669	3,239,533	2,134,843
Education	60,552	1,628,768	1,323,276	3,286,938	1,849,352	2,212,094	865,253
Subtotal governmental activities	<u>39,564,797</u>	<u>39,002,751</u>	<u>43,680,557</u>	<u>43,148,970</u>	<u>45,812,376</u>	<u>47,362,207</u>	<u>73,083,855</u>
Business-type activities:							
Solid Waste Management	5,040,888	5,650,297	6,554,259	7,185,377	7,423,363	7,478,380	6,517,869
Airport	2,689,846	2,554,723	4,004,944	3,213,025	3,468,328	10,159,028	7,283,243
Water	8,312,263	8,607,032	9,001,806	9,697,544	10,352,303	10,397,780	11,269,882
Sewer	19,114,839	17,178,836	18,670,002	18,571,924	16,978,235	16,845,346	20,110,651
Subtotal business-type activities	<u>35,157,836</u>	<u>33,990,888</u>	<u>38,231,011</u>	<u>38,667,870</u>	<u>38,222,229</u>	<u>44,880,534</u>	<u>45,181,645</u>
Total primary government	<u>\$ 74,722,633</u>	<u>\$ 72,993,639</u>	<u>\$ 81,911,568</u>	<u>\$ 81,816,840</u>	<u>\$ 84,034,605</u>	<u>\$ 92,242,741</u>	<u>\$ 118,265,500</u>

**FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund										
Reserved	\$ 1,865,889	\$ 1,309,512	\$ 493,057	\$ 438,570	\$ 944,980	\$ 933,133	\$ 1,131,403	\$ 879,657	\$ 1,236,149	\$ 2,406,773
Unreserved	25,732,167	26,067,639	20,741,941	22,143,078	20,912,864	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992
Total General Fund	<u>\$ 27,598,056</u>	<u>\$ 27,377,151</u>	<u>\$ 21,234,998</u>	<u>\$ 22,581,648</u>	<u>\$ 21,857,844</u>	<u>\$ 23,763,442</u>	<u>\$ 26,488,145</u>	<u>\$ 36,786,549</u>	<u>\$ 32,777,356</u>	<u>\$ 34,565,765</u>
All Other Governmental Funds										
Reserved	\$ 98,981	\$ 837,937	\$ 467,111	\$ 408,325	\$ 2,539,641	\$ 14,416,749	\$ 6,941,128	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256
Unreserved, reported in:										
Special revenue funds	1,338,609	(251,968)	2,259,604	1,148,588	3,019,561	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960
Capital projects funds	7,978,944	(627,007)	5,358,356	969,282	3,185,163	730,434	(2,600,639)	9,825,526	13,985,011	6,697,269
Total All Other Governmental Funds	<u>\$ 9,416,534</u>	<u>\$ (41,038)</u>	<u>\$ 8,085,071</u>	<u>\$ 2,526,195</u>	<u>\$ 8,744,365</u>	<u>\$ 19,049,154</u>	<u>\$ 7,804,503</u>	<u>\$ 20,584,299</u>	<u>\$ 22,634,909</u>	<u>\$ 52,612,485</u>

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$74,095,046	\$ 75,261,807	\$ 78,904,476	\$ 79,972,330	\$ 81,766,514	\$ 86,781,006	\$92,733,402	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029
Regulatory licenses, permits and privilege fees	492,100	671,067	700,188	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742
Intergovernmental	30,324,244	31,498,320	38,900,160	36,758,660	39,762,030	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109
Fines and forfeitures	792,086	807,230	733,148	776,701	538,753	551,716	552,797	593,518	581,986	586,661
Revenue from use of money and property	2,439,515	2,972,228	2,761,993	1,653,469	1,070,082	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948
Charges for services	6,317,948	6,929,195	7,249,832	6,588,909	5,725,305	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656
Miscellaneous	4,235,538	3,737,036	3,649,751	3,496,031	4,618,072	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977
Total revenues	118,696,477	121,876,883	132,899,548	129,973,589	134,156,067	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122
Expenditures										
General government	15,615,422	10,631,360	10,292,091	13,258,157	14,601,433	12,130,482	12,772,780	13,236,092	14,284,594	15,154,232
Judicial	2,193,554	2,949,446	3,405,999	3,320,619	3,699,569	4,134,506	4,573,231	4,875,257	5,279,455	5,415,089
Public Safety	19,882,774	26,389,286	27,278,757	27,910,760	27,475,148	33,129,964	35,179,870	36,850,835	38,394,220	40,825,467
Public Works	15,836,081	16,584,960	13,127,121	12,112,402	13,549,915	10,271,407	16,347,027	14,294,952	13,054,801	16,138,909
Health and human services	16,490,727	16,922,265	17,597,486	18,738,254	17,590,464	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281
Cultural and recreational	1,343,898	1,621,449	1,668,327	1,717,189	3,929,095	7,549,794	7,770,918	8,291,783	8,753,747	9,200,360
Community development	3,887,211	6,224,694	7,732,311	6,401,530	4,820,850	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359
Education (1)	-	-	-	3,644	27,025,411	26,005,227	27,714,269	30,057,224	30,330,939	33,034,935
Non-departmental (2)	4,576,635	5,531,207	4,925,107	3,327,441	2,806,878	-	-	-	-	-
Capital Outlay										
Capital general government (4)	4,832,682	12,177,055	8,706,840	6,548,077	10,402,729	25,350,920	13,049,200	13,958,226	14,285,864	12,561,339
Debt Services										
Principal Retirement	10,428,347	3,834,123	3,787,898	5,219,573	23,058,352	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119
Interest payments and other fiscal charges	2,516,335	2,253,317	2,493,702	2,357,402	3,862,166	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494
Issuance costs	-	-	-	-	-	-	192,826	173,943	-	216,051
Total expenditures	97,603,666	105,119,162	101,015,639	100,915,048	152,822,010	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635
Excess (deficiency) of revenues over expenditures	21,092,811	16,757,721	31,883,909	29,058,541	(18,665,943)	(33,669,694)	(8,778,241)	(7,455,349)	(630,839)	18,510,487

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Other financing sources (uses)										
Proceeds from debt issues	7,830,110	3,345,000	6,255,575	-	26,306,594	47,234,898	-	31,725,694	-	16,788,389
Premium on debt proceeds	-	-	-	-	-	-	-	732,486	-	167,163
Construction advance (3)	-	-	-	-	(3,525,664)	-	-	-	-	-
Issuance of refunding bonds	706,312	-	-	-	-	-	26,322,927	-	-	4,824,128
Issuance of refunding capital lease	-	-	-	-	-	-	1,679,825	-	-	-
Refunded bond principal payments	-	-	-	-	-	-	-	-	-	(4,756,894)
Payments to escrow agent	-	-	-	-	-	-	(28,063,727)	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	1,938,525	-	-	-
Transfers to component units	(27,787,372)	(29,043,108)	(30,634,768)	(31,462,089)	-	-	-	-	-	-
Transfers in	4,245,891	6,094,699	7,338,468	3,324,609	6,660,812	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103
Transfers out	(5,111,803)	(6,832,789)	(11,707,086)	(5,133,287)	(7,786,893)	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)
Total other financing sources (uses)	(20,116,862)	(26,436,198)	(28,747,811)	(33,270,767)	21,654,849	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498
Net Change in fund balances	\$ 975,949	\$ (9,678,477)	\$ 3,136,098	\$ (4,212,226)	\$ 2,988,906	\$ 11,877,691	\$ (8,719,828)	\$ 23,078,200	\$ (3,132,398)	\$ 31,765,985
Debt Service as a percentage of noncapital expenditures	13.95%	6.55%	6.80%	8.03%	18.90%	15.38%	8.49%	14.90%	8.84%	8.55%

(1) Education was included in transfers to component units prior to FY 2003

(2) Non-departmental expenditures began being allocated in FY 2004

(3) The construction advance was to fund the E.C. Glass High School renovation project that was ahead of the projected schedule for completion.

(4) Beginning with restating FY 2006, and going forward, capital outlay was adjusted to reflect all capital expenditures. The functional categories of current expenditures were adjusted to reflect the reduction for capital expenditures already reported.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2,008
Revenues:							
Taxes	\$ 79,972,330	\$ 80,652,301	\$ 85,774,800	\$ 91,739,497	\$103,012,216	\$102,480,268	\$110,636,590
Regulatory licenses, permits, and privilege fees	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742
Intergovernmental	26,464,743	28,410,482	27,295,898	27,321,323	30,391,990	31,311,980	33,410,321
Fines & forfeitures	776,701	538,753	551,716	552,797	593,518	581,986	586,661
Revenues from use of money & property	1,395,847	920,401	797,531	1,373,658	2,130,172	3,377,730	3,308,104
Charges for services	3,177,610	3,486,991	6,371,250	6,442,510	7,376,311	7,083,847	7,198,099
Miscellaneous	3,009,763	3,283,568	666,969	955,066	1,261,164	387,005	452,272
Total revenues	115,524,483	117,967,807	122,197,051	129,020,731	145,791,153	146,110,088	156,441,789
Expenditures:							
Current operating expenditures:							
General government	13,258,157	14,421,107	11,960,240	12,499,485	13,176,072	14,111,441	14,561,922
Judicial	3,320,619	3,560,726	3,303,952	3,536,008	3,827,095	4,182,946	4,423,005
Public safety	21,951,566	22,472,414	29,178,810	31,113,303	32,782,350	34,640,217	36,703,695
Public works	11,998,157	13,541,234	10,244,342	10,616,660	11,801,684	11,565,845	11,257,662
Health and human services	14,844,129	14,596,916	21,317,811	15,744,061	16,111,220	16,577,034	18,890,171
Cultural & recreational	1,637,069	3,874,887	6,427,237	6,466,171	6,926,949	7,287,216	7,691,627
Community development	3,133,884	2,082,214	3,102,768	3,874,987	3,559,260	4,034,373	3,936,251
Education (1)	-	27,025,411	26,005,227	27,125,060	29,894,763	30,418,183	32,932,233
Non-departmental	3,327,391	2,683,294	-	-	-	-	-
Debt service:							
Principal retirements	3,293,886	21,322,543	17,839,066	7,024,174	18,326,124	7,702,865	7,812,969
Interest payments and other fiscal charges	1,882,148	3,479,744	3,848,634	4,246,388	4,273,525	4,794,314	5,212,231
Issuance costs	-	-	-	161,433	146,165	-	127,866
Total expenditures	78,647,006	129,060,490	133,228,087	122,407,730	140,825,207	135,314,434	143,549,632
Excess (deficiency) of revenues over expenditures	36,877,477	(11,092,683)	(11,031,036)	6,613,001	4,965,946	10,795,654	12,892,157
Other financing sources (uses):							
Issuance of bonds	-	15,648,755	19,063,115	-	10,644,739	-	69,980
Premium on debt proceeds	-	-	-	-	361,837	-	-
Issuance of refunding bonds	-	-	-	24,393,868	-	-	4,106,224
Refunded bond principal payments	-	-	-	-	-	-	(4,048,996)
Payments to escrow agent	-	-	-	(24,152,140)	-	-	-
Transfers in	729,759	1,696,702	927,197	994,616	504,783	126,333	26,150
Transfers out	(4,798,497)	(6,976,578)	(7,065,218)	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)
Transfers to component units (1)	(31,462,089)	-	-	-	-	-	-
Total other financing sources (uses)	(35,530,827)	10,368,879	12,925,094	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)
Net changes in fund balances	1,346,650	(723,804)	1,894,058	2,666,703	10,298,404	(4,319,193)	1,788,409
Fund balance - beginning, as restated (2)	21,234,998	22,581,648	21,869,384	23,821,442	26,488,145	37,096,549	32,777,356
Fund balance - ending	\$ 22,581,648	\$ 21,857,844	\$ 23,763,442	\$ 26,488,145	\$ 36,786,549	\$ 32,777,356	\$ 34,565,765

(1) For FY 2003 and prospectively, the General Fund transfer to Lynchburg City Schools (component unit) was reclassified as an education expenditure.

(2) Beginning fund balance restated as of June 30, 2003, June 30, 2004, and June 30, 2006. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004, June 30, 2005, and June 30, 2007.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
SCHOOL FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues:							
Intergovernmental	\$ 34,896,406	\$ 35,813,533	\$ 63,603,079	\$ 67,442,823	\$ 71,207,508	\$ 78,033,072	\$ 82,325,106
Revenue from use of money & property	4,807	-	1,643	2,100	32,611	31,600	34,279
Charges for services	394,267	390,409	386,744	324,097	395,382	1,344,909	1,380,153
Miscellaneous	206,984	27,266,567	203,831	392,233	343,074	159,662	208,542
Total revenues	35,502,464	63,470,509	64,195,297	68,161,253	71,978,575	79,569,243	83,948,080
Expenditures:							
Education:							
Instruction	1,830,300	49,580,140	49,693,140	52,327,742	55,484,371	60,849,179	63,943,555
Administration, attendance, and health	48,509,600	1,741,567	2,062,680	2,128,927	2,424,016	2,821,351	4,301,683
Pupil transportation services	2,903,845	2,990,460	3,001,085	3,214,586	3,774,716	4,112,219	4,698,221
Operations and maintenance	6,571,305	7,349,258	7,575,110	7,976,868	8,890,256	10,086,015	9,876,043
Facilities	-	-	858,962	-	-	-	-
Capital outlay	2,994,244	2,183,590	1,471,364	2,698,587	1,956,743	1,373,409	1,779,204
Debt service: (1)							
Principal retirements	1,929,342	-	737,511	724,075	782,024	867,874	834,058
Interest payments	1,696,173	-	58,727	48,412	92,951	80,702	93,842
Total expenditures	66,434,809	63,845,015	65,458,579	69,119,197	73,405,077	80,190,749	85,526,606
Excess (deficiency) of revenues over expenditures	(30,932,345)	(374,506)	(1,263,282)	(957,944)	(1,426,502)	(621,506)	(1,578,526)
Other financing sources (uses):							
Capital lease proceeds	1,000,000	1,000,000	-	1,500,000	750,000	1,000,000	1,000,000
Operating transfers in (out)	(1,063,986)	(120,810)	-	-	-	-	-
Transfers from primary government (1)	31,162,089	-	-	-	-	-	-
Total other financing sources (uses)	31,098,103	879,190	-	1,500,000	750,000	1,000,000	1,000,000
Net change in fund balances	165,758	504,684	(1,263,282)	542,056	(676,502)	378,494	(578,526)
Fund balance - beginning (2)	2,188,087	2,353,845	2,260,909	997,627	1,539,683	863,181	1,241,675
Fund balance - ending	\$ 2,353,845	\$ 2,858,529	\$ 997,627	\$ 1,539,683	\$ 863,181	\$ 1,241,675	\$ 663,149

(1) For FY 2003 and prospectively, transfers in from primary government were reclassified as intergovernmental revenue. Also, debt service expenditures were reclassified as debt service for the primary government rather than the component unit.

(2) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE MANAGEMENT FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Operating revenues:							
Charges for services and other operating revenues	\$ 4,842,010	\$ 5,412,580	\$ 6,352,423	\$ 6,985,739	\$ 7,219,229	\$ 7,276,645	\$ 6,313,555
Total operating revenues	4,842,010	5,412,580	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555
Operating expenses: (2)							
Personal services and benefits	-	-	-	1,704,262	1,780,192	1,836,677	1,735,135
Operation and maintenance	3,194,415	3,023,374	4,882,140	481,135	539,736	789,615	1,182,370
Supplies and materials	-	-	-	735,989	675,795	915,039	809,041
Administration	756,780	701,245	67,791	1,046,949	968,816	809,909	752,468
Landfill closure and postclosure care	(378,687)	245,102	348,643	147,355	(10,680)	492,408	1,404,613
Other charges	-	-	-	68,429	45,333	62,399	58,990
Depreciation	814,662	869,917	905,666	836,599	816,017	770,892	1,523,214
Total operating expenses	4,387,170	4,839,638	6,204,240	5,020,718	4,815,209	5,676,939	7,465,831
Operating income	454,840	572,942	148,183	1,965,021	2,404,020	1,599,706	(1,152,276)
Nonoperating revenues (expenses):							
Interest income	252,415	129,867	77,098	193,886	464,624	788,040	714,888
Governmental grants	198,878	191,039	201,836	199,638	204,134	201,735	204,314
Miscellaneous	42,182	46,678	113,451	67,665	43,347	65,594	81,774
Loss on disposition of assets	(1,498)	(190,589)	(95,876)	(49,893)	(14,922)	(12,540)	(805)
Interest on long-term debt	(407,047)	(334,840)	(327,127)	(303,528)	(301,809)	(238,168)	(243,528)
Total nonoperating revenues (expenses)	84,930	(157,845)	(30,618)	107,768	395,374	804,661	756,643
Income before contributions and transfers	539,770	415,097	117,565	2,072,789	2,799,394	2,404,367	(395,633)
Transfers in	-	135,371	284,282	732,529	732,529	732,529	1,572,529
Transfers out	(1,205,438)	-	-	(371,855)	(532,855)	(582,000)	(813,500)
Change in net assets	(665,668)	550,468	401,847	2,433,463	2,999,068	2,554,896	363,396
Total net assets - beginning, as restated (1)	7,194,671	6,529,003	7,411,880	7,813,727	10,247,190	13,246,258	15,801,154
Ending net assets:							
Invested in capital assets, net of related debt	1,586,793	1,430,278	2,035,525	2,271,866	2,467,438	2,543,907	4,399,040
Restricted	6,229	-	-	-	-	-	-
Unrestricted	4,935,981	5,649,193	5,778,202	7,975,324	10,778,820	13,257,247	11,765,510
Total net assets - ending	\$ 6,529,003	\$ 7,079,471	\$ 7,813,727	\$ 10,247,190	\$ 13,246,258	\$ 15,801,154	\$ 16,164,550

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Operating revenues:							
Charges for services and other operating revenues	\$ 8,312,263	\$ 8,607,032	\$ 9,001,806	\$ 9,488,676	\$ 10,352,303	\$ 10,397,780	\$ 11,269,882
Total operating revenues	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882
Operating expenses: (2)							
Personal services and benefits	-	-	-	2,830,609	2,953,729	3,175,057	3,696,365
Operation and maintenance	4,521,720	4,449,546	3,752,474	1,120,155	1,052,595	1,086,665	1,439,712
Supplies and materials	-	-	-	650,421	833,802	915,748	1,409,039
Administration	1,030,596	910,404	2,129,563	1,318,927	1,359,399	1,329,083	1,299,889
Other charges	-	-	-	48,269	68,637	57,613	55,342
Depreciation	1,609,740	1,575,929	1,952,385	1,743,936	1,771,749	1,796,958	2,072,079
Total operating expenses	7,162,056	6,935,879	7,834,422	7,712,317	8,039,911	8,361,124	9,972,426
Operating income	1,150,207	1,671,153	1,167,384	1,776,359	2,312,392	2,036,656	1,297,456
Nonoperating revenues (expenses):							
Interest income	151,034	69,732	57,640	123,527	264,029	629,409	343,836
Miscellaneous	19,695	54,449	17,052	26,984	3,902	8,468	28,142
Loss on disposition of assets	-	-	(238,743)	(8,422)	(17,683)	(12,880)	-
Interest on long-term debt	(858,389)	(875,982)	(971,932)	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)
Total nonoperating revenues (expenses)	(687,660)	(751,801)	(1,135,983)	(821,800)	(885,252)	(757,243)	(959,146)
Income before contributions and transfers	462,547	919,352	31,401	954,559	1,427,140	1,279,413	338,310
Capital contributions	-	-	-	208,868	-	-	-
Transfers out	(401,998)	(452,628)	(161,000)	(147,123)	(182,846)	(77,000)	(215,500)
Change in net assets	60,549	466,724	(129,599)	1,016,304	1,244,294	1,202,413	122,810
Total net assets - beginning, as restated (1)	30,757,634	30,818,183	31,108,943	30,979,344	31,995,648	33,239,942	34,442,355
Ending net assets:							
Invested in capital assets, net of related debt	25,031,692	25,514,601	24,348,833	25,767,489	27,805,400	27,457,812	28,835,542
Restricted	13,608	7,515	-	-	-	-	-
Unrestricted	5,772,883	5,762,791	6,630,511	6,228,159	5,434,542	6,984,543	5,729,623
Total net assets - ending	\$ 30,818,183	\$ 31,284,907	\$ 30,979,344	\$ 31,995,648	\$ 33,239,942	\$ 34,442,355	\$ 34,565,165

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SEWER FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Operating revenues:							
Charges for services and other operating revenues	\$ 12,705,123	\$ 13,273,211	\$ 13,919,612	\$ 14,682,219	\$ 15,405,174	\$ 16,040,587	\$ 17,861,892
Total operating revenues	12,705,123	13,273,211	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892
Operating expenses: (2)							
Personal services and benefits	-	-	-	1,894,076	1,919,958	2,094,012	2,497,423
Operation and maintenance	3,930,346	4,116,454	5,749,871	1,684,070	1,942,779	1,776,185	2,653,861
Supplies and materials	-	-	-	773,012	836,684	841,857	906,778
Administration	1,849,859	1,704,560	858,727	1,744,083	1,798,976	1,863,792	2,025,740
Other charges	-	-	-	23,902	40,887	34,347	35,078
Depreciation	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493
Total operating expenses	8,936,992	9,133,356	10,270,980	9,897,112	10,494,104	10,718,754	12,415,373
Operating income	3,768,131	4,139,855	3,648,632	4,785,107	4,911,070	5,321,833	5,446,519
Nonoperating revenues (expenses):							
Interest income	421,275	744,837	200,511	248,236	456,342	858,384	691,799
Governmental grants	38,500	38,500	38,500	38,500	38,500	38,500	38,500
Miscellaneous	7,729	140,041	103,553	5,157	29,183	6,558	5,800
Gain (loss) on disposition of assets	(13,643)	(3,851)	2,080	(305,674)	(24,334)	-	-
Interest on long-term debt	(1,695,680)	(1,919,090)	(2,818,973)	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)
Total nonoperating revenues (expenses)	(1,241,819)	(999,563)	(2,474,329)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)
Income before contributions and transfers	2,526,312	3,140,292	1,174,303	2,993,449	3,633,354	4,324,031	4,343,632
Capital contributions	6,371,216	3,867,125	4,711,890	3,851,205	1,534,561	766,259	2,210,259
Transfers out	(328,346)	(806,668)	(396,189)	(164,394)	(110,389)	(452,000)	(325,000)
Change in net assets	8,569,182	6,200,749	5,490,004	6,680,260	5,057,526	4,638,290	6,228,891
Total net assets - beginning, as restated (1)	53,663,821	62,233,003	68,706,621	75,646,728	82,326,988	87,384,514	92,022,804
Ending net assets:							
Invested in net assets, net of related debt	58,225,166	57,318,081	63,406,634	69,171,836	73,629,641	74,801,294	78,570,747
Restricted	11,352	7,043,943	-	-	-	-	-
Unrestricted	3,996,485	4,071,728	10,789,991	13,155,152	13,754,873	17,221,510	19,680,948
Total net assets - ending	\$ 62,233,003	\$ 68,433,752	\$ 74,196,625	\$ 82,326,988	\$ 87,384,514	\$ 92,022,804	\$ 98,251,695

(1) Beginning fund balance restated as of June 30, 2003 and June 30, 2004. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004 and June 30, 2005.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 AIRPORT FUND
 LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Operating revenues:							
Charges for services and other operating revenues	\$ 1,151,542	\$ 1,401,379	\$ 1,480,514	\$ 1,637,730	\$ 1,762,826	\$ 1,848,109	\$ 1,839,685
Intergovernmental	36,363	179,502	32,588	71,309	146,198	129,582	132,487
Total operating revenues	1,187,905	1,580,881	1,513,102	1,709,039	1,909,024	1,977,691	1,972,172
Operating expenses: (2)							
Personal services and benefits	-	-	-	1,009,935	795,052	867,626	954,186
Operation and maintenance	1,495,605	1,193,299	1,665,851	424,166	695,575	751,314	710,025
Supplies and materials	-	-	-	88,525	111,521	96,152	117,270
Administration	115,420	425,436	558,515	191,387	231,161	235,657	231,223
Other charges	-	-	-	19,803	17,678	16,004	15,683
Depreciation	1,406,045	1,397,321	1,492,120	1,546,691	1,545,339	1,568,656	1,720,304
Total operating expenses	3,017,070	3,016,056	3,716,486	3,280,507	3,396,326	3,535,409	3,748,691
Operating loss	(1,829,165)	(1,435,175)	(2,203,384)	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)
Nonoperating revenues (expenses):							
Interest income	27,840	7,922	5,487	16,873	63,986	106,412	33,985
Governmental grants	134,947	8,532	-	1,726	26,969	29,033	30,960
Passenger facility charges	136,032	185,658	230,179	256,800	246,981	223,331	185,815
Miscellaneous	2,648	12,386	96,961	5,523	6,646	12,260	8,162
Gain (Loss) on disposition of assets	-	-	(2,203)	-	-	117,431	-
Interest on long-term debt	(150,993)	(93,583)	(120,904)	(107,691)	(89,365)	(103,910)	(108,456)
Total nonoperating revenues (expenses)	150,474	120,915	209,520	173,231	255,217	384,557	150,466
Loss before contributions and transfers	(1,678,691)	(1,314,260)	(1,993,864)	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)
Capital contributions	1,230,962	769,649	2,491,843	1,245,460	1,285,354	7,928,973	5,094,296
Transfers in	613,535	552,373	490,831	419,980	398,485	367,337	359,364
Change in net assets	165,806	7,762	988,810	267,203	451,754	7,123,149	3,827,607
Total net assets - beginning - as restated (1)	21,865,042	22,030,848	22,033,667	23,022,477	23,289,680	23,741,434	30,864,583
Ending net assets:							
Invested in capital assets, net of related debt	21,197,318	21,326,437	22,231,939	22,022,931	21,640,700	29,582,661	34,351,746
Restricted	1,024,517	133,194	-	-	312,049	1,765	4,708
Unrestricted	(190,987)	578,979	790,538	1,266,749	1,788,685	1,280,157	335,736
Total net assets - ending	\$ 22,030,848	\$ 22,038,610	\$ 23,022,477	\$ 23,289,680	\$ 23,741,434	\$ 30,864,583	\$ 34,692,190

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

CITY OF LYNCHBURG, VIRGINIA

TABLE 12

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS,
LAST EIGHT FISCAL YEARS**
(modified accrual basis of accounting)

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Real Estate	\$ 27,396,089	\$ 29,980,713	\$ 30,820,001	\$ 34,033,120	\$ 34,949,790	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171
PSC Taxes	2,019,807	2,218,855	2,407,289	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402
Personal Property Tax	12,303,662	10,006,956	10,197,416	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439
Penalties & Interest	651,445	632,433	650,448	663,897	682,712	819,079	665,421	711,491
Sales & Use Tax	11,592,048	11,905,178	11,027,631	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750
Utility Tax (1)	6,429,867	6,183,639	6,826,740	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021
Business License Tax	6,519,269	6,561,438	6,712,152	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395
Franchise License Tax (1)	636,371	805,383	545,624	570,921	574,721	584,346	316,824	4,277
Communication Sales & Use Tax (1)	-	-	-	-	-	-	1,669,968	3,893,158
Motor Vehicles Licenses	1,234,155	1,248,753	1,233,855	1,246,702	1,498,014	856,406	1,491,186	1,511,831
Bank Stock Taxes	1,010,280	1,074,795	647,929	590,123	545,221	598,733	503,322	442,123
Taxes on Recordation and Wills	226,798	309,720	359,561	414,598	561,009	786,799	809,424	661,671
Tobacco Taxes	607,991	553,676	652,156	1,083,020	1,087,358	972,337	1,002,130	1,014,759
Admission and Amusement Taxes	257,513	288,175	311,639	261,647	344,161	368,680	409,473	407,024
Hotel and Motel Room Taxes	1,357,862	1,277,686	1,275,664	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848
Restaurant Food Taxes	6,661,317	6,921,931	6,984,195	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669
Emergency Telephone Service Tax (1)	-	-	1,114,213	978,995	972,043	946,241	464,582	-
Total General Government Tax Revenues	\$ 78,904,474	\$ 79,969,331	\$ 81,766,513	\$ 86,781,004	\$ 92,733,404	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029

Source: Director of Financial Services, City of Lynchburg, Virginia.

- (1) In 2006 the General Assembly of the State of Virginia created a new tax called the Communication Sales & Use Tax. This tax will account for all communication taxes for telephone land line services and wireless services. Therefore, the utility taxes, franchise taxes, and emergency telephone service taxes will be less in FY 2007 and future years.

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY,
LAST TEN FISCAL YEARS (1)**

(in thousands of dollars)

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Total Direct Tax Rate
1999	\$ 1,564,690,825	\$ 532,230,500	\$ 250,620,750	\$ 2,347,542,075	1.11
2000	1,620,521,425	574,270,350	262,396,250	2,457,188,025	1.11
2001	1,642,029,175	598,033,300	264,948,800	2,505,011,275	1.11
2002	1,825,363,885	656,406,200	269,264,050	2,751,034,135	1.11
2003	1,874,979,135	675,181,050	274,750,900	2,824,911,085	1.11
2004	2,036,969,900	811,633,000	276,950,200	3,125,553,100	1.11
2005	2,100,441,500	827,888,000	271,014,300	3,199,343,800	1.11
2006	2,391,089,200	911,430,500	266,308,500	3,568,828,200	1.11
2007	2,464,890,200	941,845,300	275,614,800	3,682,350,300	1.11
2008	3,012,503,000	1,139,117,700	327,955,600	4,479,576,300	1.05

Source: Real Estate Assessor, City of Lynchburg, Virginia

(1) Assessed value is as of July 1 of the each fiscal year.

(2) Excludes tax-exempt property.

(3) These figures include assessments that qualify for land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

**ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Estimated Actual Value of Taxable Property
	Residential Property (2)(7)	Commercial Property (2)(8)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate	
1999	\$ 1,556,394,875	\$ 782,851,250	\$ 135,417,968	\$ 2,474,664,093	\$ 1.11	\$ 395,509,615	\$ 24,248,606	\$ 419,758,221	\$ 3.30	\$ 118,823,544	\$ 3.00	\$ 3,013,245,858
2000	1,612,754,025	836,666,600	147,404,173	2,596,824,798	1.11	411,292,462	26,207,912	437,500,374	3.30	131,817,754	3.00	3,166,142,926
2001	1,634,485,975	862,982,100	146,514,485	2,643,982,560	1.11	438,964,042	33,989,577	472,953,619	3.30	133,509,096	3.00	3,250,445,275
2002	1,817,921,235	925,670,250	163,282,375	2,906,873,860	1.11	419,024,367	33,883,382	452,907,749	3.30	106,329,586	3.00	3,466,111,195
2003	1,872,517,185	949,931,950	187,708,383	3,010,157,518	1.11	449,743,493	27,292,958	477,036,451	3.30	117,085,047	3.00	3,604,279,016
2004	2,027,995,200	1,088,583,200	185,826,527	3,302,404,927	1.11	458,996,765	28,684,711	487,681,476	3.30	125,639,040	3.00	3,915,725,443
2005	2,091,324,700	1,098,902,300	191,327,640	3,381,554,640	1.11	441,221,304	25,901,179	467,122,483	3.80	106,245,785	3.00	3,954,922,908
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	472,751,503 (6)	24,595,702	497,347,205	3.80	127,196,028 (6)	3.00	5,246,349,109

Sources: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

(1) Assessed value is as of July 1 of the fiscal year noted.

(2) Real estate and machinery and tools are assessed at 100% of fair market value.

(3) Effective July 1, 1989, personal property is assessed at 100% of average trade-in value.

(4) 2005 Personal Property Tax Levy in FY 2006.

(5) These figures have been updated to reflect all billings associated with the levy.

(6) 2008 Personal Property Tax Levy in FY 2008. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2009 to reflect all four billings.

(7) These figures are net of land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assesment of land based on use value rather than market value. Use value is the asseessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

(8) Commercial property also includes industrial property.

(9) The residential property amount for 2007 has been updated from the Fiscal Year 2007 CAFR to reflect net of land use exemption.

**PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2008					1999				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2008 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	1999 Total Tax Levy	Percentage of Total Tax Levy
Verizon Va, Inc.	Utility	61,341,676	1	1.17 %	655,661	0.92 %	-	-	- %	-	- %
Areva NP Inc.	Nuclear Power Design & Fuel Fabrication	56,311,456	2	1.07	1,227,297	1.73	21,617,700	9	0.72	523,938	1.24
R R Donnelley Printing Co.	Periodical Publication Printing	51,024,394	3	0.97	1,156,510	1.63	24,535,200	8	0.81	1,148,477	2.72
River Ridge, Ltd.	Shopping Mall	50,000,000	4	0.95	525,000	0.74	32,566,500	3	1.08	369,762	0.87
AEP	Utility	40,191,477	5	0.77	422,011	0.60	36,378,228	2	1.21	516,640	1.22
Frito Lay, Inc.	Food Manufacturer	35,026,814	6	0.67	560,510	0.79	25,143,300	7	0.83	280,666	0.66
Genworth Financial, Inc.	Life Insurance	30,883,000	7	0.59	324,272	0.46	27,687,350	5	0.92	574,796	1.36
J D N Realty Corporation, Inc.	Real Estate Company	20,950,100	8	0.40	219,976	0.31	16,000,000	10	0.53	177,600	0.42
Bostic Development at Lynchburg, LLC	Real Estate Company	20,233,400	9	0.39	212,451	0.30	-	-	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,466,900	10	0.35	193,902	0.27	-	-	-	-	-
B.A. Langley	Real Estate Company	-	-	-	-	-	\$ 26,653,000	6	0.88	295,935	0.70
Deibold Southeast MGF, Inc.		-	-	-	-	-					
Ericsson-GE Mobile Communications	Mobile Communications	-	-	-	-	-	30,506,300	4	1.01	1,377,403	3.26
Bell Atlantic-Virginia, Inc.	Utility	-	-	-	-	-	69,823,823	1	2.32	847,609	2.01
Total		<u>\$ 384,429,217</u>		<u>7.33 %</u>	<u>\$ 5,497,590</u>	<u>7.75 %</u>	<u>\$ 310,911,401</u>		<u>10.32 %</u>	<u>\$ 6,112,826</u>	<u>14.46 %</u>
Total Assessed Valuation:		<u>\$ 5,246,349,109</u>					<u>\$ 3,013,245,858</u>				
Tax Levy:											
Real Estate		\$ 46,944,004									
Railroads and Pipelines		141,641									
Public Service Corporations		1,717,761									
Personal Property		<u>22,093,844</u>									
Total Tax Levy:		<u>\$ 70,897,250</u>									

Source: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

**PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (3)	Total Collections to Date	
		Amount	Percentage of Levy (2)		Amount	Percentage of Levy (2)
1999	\$ 42,371,838	\$ 40,935,842	96.61%	\$ 743,598	\$ 41,679,440	98.37%
2000	44,505,082	43,175,311	97.01%	1,011,960	44,187,301	99.29%
2001	46,042,983	44,634,425	96.94%	1,112,034	45,746,459	99.36%
2002	48,710,267	47,306,624	97.12%	794,603	48,101,227	98.75%
2003	50,084,951	48,306,161	96.45%	1,266,642	49,506,998	98.85%
2004	54,014,300	52,095,333	96.45%	1,157,477	53,298,447	98.67%
2005	55,674,712	54,679,067	98.21%	969,404	55,833,271	100.28%
2006	67,559,478	64,525,107	95.51%	2,460,752	66,985,859	99.15%
2007	63,281,557	60,579,970	95.73%	1,056,124	61,636,094	97.40%
2008	69,302,787	67,913,137	97.99%	-	67,913,137	97.99%

Source: Director of Financial Services, City of Lynchburg, Virginia

- (1) Total tax levy is calculated based on the sum of Real Estate Tax and Personal Property Tax levies and any supplemental bills. Due to the implementation of a new personal property tax billing system these figures will be updated each year to reflect the supplemental bills attributable to the year the tax should have been levied.
- (2) These columns represent the amount and percentage on the tax levy within the respective tax year reporting period.
- (3) This column represents delinquent taxes collected within the respective reporting period. Beginning with fiscal year 2003 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

Note:

The increase in the FY 2006 levy is a result of the change in personal property tax billing to a two installment billing system. Both installments were levied in May 2006 for calendar year 2006 personal property tax. However, only the first installment was due in June 2006 with the second installment due in December 2006. Future fiscal years will include a May levy with installments due June 5 and December 5.

PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(per \$100 of assessed valuation)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.05
Personal Property										
Locally Assessed	3.30	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.30	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.05
Automobiles and Trucks	3.30	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80

Source: Information was obtained from Official Statements related to bond issuance for June 27, 2000, April 26, 2006, and July 19, 2007.

City of Lynchburg Adopted Budget Fiscal Year 2008

Commissioner of the Revenue for City of Lynchburg, Virginia www.lynchburgva.gov

**RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS**

(dollars in thousands)

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government
	General Obligation Bonds	Literary Bonds	General Obligation Notes	Note Payable	Capital Leases	General Obligation Bonds	General Obligation Notes	Public Utility Revenue Bonds	Capital Leases	
1999	\$ 43,525	\$ 458	\$ -	\$ -	\$ 2,961	\$ 59,308	\$ -	\$ 52,681	\$ 226	\$ 159,159
2000	39,866	400	3,345	-	2,783	54,707	-	56,266	77	157,444
2001	42,519	341	3,345	-	2,595	55,521	-	57,500	-	161,821
2002	71,901	283	9,290	-	2,397	63,499	-	56,096	-	203,466
2003	85,006	225	610	-	2,187	64,141	-	52,973	-	205,142
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931

Source: Director of Financial Services, City of Lynchburg, Virginia.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

Fiscal Year	Population (1)	Assessed Valuation (in thousands)	Gross Bonded Debt (2)	Debt Payable From Enterprise Revenues (2)	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1999	66,200	\$ 3,013,246	\$ 133,714	\$ 59,337	\$ 74,377	2.47%	\$ 1,124
2000	65,269	3,166,143	126,725	54,707	72,018	2.27%	1,103
2001	65,400	3,250,445	134,592	55,521	79,071	2.43%	1,209
2002	65,800	3,466,111	144,973	63,499	81,474	2.35%	1,238
2003	66,400	3,604,279	149,981	64,140	85,841	2.38%	1,293
2004	67,100	3,915,725	174,813	66,896	107,917	2.76%	1,608
2005	67,756	3,954,923	163,552	61,935	101,617	2.57%	1,500
2006	68,579	4,357,188	190,828	74,032	116,796	2.68%	1,703
2007	69,738	4,501,102 (3)	177,456	68,795	108,661	2.41%	1,558
2008	69,738	5,246,349 (4)	182,350	63,550	118,800	2.26%	1,704

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia, for 1999 and 2001-2006 Final Estimates, and 2007 Provisional Estimates; and United States Bureau of the Census 2000. The 2008 population is an estimate based on 2007.

(2) Excludes City of Lynchburg Public Utility Revenue Bonds.

(3) These figures have been updated to reflect all billings associated with the personal property tax levy.

(4) These figures only reflect two of the four billings associated with the personal property tax levy.

These figures will be updated in FY 2009 to reflect all four billings.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

**LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS**
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2008

Real Property Assessed Value	\$ 4,470,858
Public Service Corporations Real Property Assessed Value	150,948
Total Real Property Assessed Value (1)	<u>4,621,806</u>
Debt limit (10% of assessed value)	462,181
Debt applicable to limit:	
Less: General Obligation Debt	(182,350)
Legal Debt Margin	<u><u>\$ 279,831</u></u>

Description	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 247,466	\$ 259,682	\$ 264,398	\$ 290,687	\$ 301,016	\$ 330,240	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181
Total net debt applicable to limit (2)	<u>133,714</u>	<u>126,725</u>	<u>134,592</u>	<u>144,973</u>	<u>149,981</u>	<u>174,813</u>	<u>163,552</u>	<u>190,828</u>	<u>177,456</u>	<u>182,350</u>
Legal debt margin	<u><u>\$ 113,752</u></u>	<u><u>\$ 132,957</u></u>	<u><u>\$ 129,806</u></u>	<u><u>\$ 145,713</u></u>	<u><u>\$ 151,036</u></u>	<u><u>\$ 155,427</u></u>	<u><u>\$ 174,603</u></u>	<u><u>\$ 181,684</u></u>	<u><u>\$ 206,053</u></u>	<u><u>\$ 279,831</u></u>
Total net debt applicable to the limit as a percentage of the debt limit	54.03%	48.80%	50.91%	49.87%	49.82%	52.94%	48.37%	51.23%	46.27%	39.45%

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) See Table 14 for Real Property Assessed Value information.

(2) For fiscal years 2000 through 2005, the total net debt applicable to limit amounts were revised to include bond anticipation notes.

Note: The Constitution of Virginia, Article 7, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its assessed valuation of real estate subject to taxation for the City's issuance of any bonds or other interest-bearing obligations. In August 1999, City Council adopted a Debt Management Policy that limits tax-supported debt to five percent (5%) of its assessed valuation of real estate subject to taxation. In December 2006, City Council amended the Debt Management Policy that limits tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation.

**PLEDGED REVENUE COVERAGE
LAST EIGHT FISCAL YEARS**

	2001	2002	2003	2004	2005	2006	2007	2008
Sewer Fund Operating Income	\$ 3,829,393	\$ 3,768,131	\$ 4,139,855	\$ 3,648,632	\$ 4,785,102	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519
Plus:								
Depreciation & amortization	2,611,577	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493
Interest income received	278,053	421,275	55,615	200,511	248,236	456,342	858,384	691,799
Capital contributions from members								
Regional Sewerage Treatment Plant	284,411	597,353	785,015	272,336	383,901	384,746	385,623	386,530
Governmental grants & miscellaneous income	133,185	46,229	178,541	142,053	43,657	67,683	45,058	44,300
Net Revenue per Indenture (1)	<u>\$ 7,136,619</u>	<u>\$ 7,989,775</u>	<u>\$ 8,471,368</u>	<u>\$ 7,925,914</u>	<u>\$ 9,238,865</u>	<u>\$ 9,774,661</u>	<u>\$10,719,459</u>	<u>\$10,865,641</u>
Debt Service								
General obligation bonds								
Principal (2)	\$ 2,047,307	\$ 879,291	\$ 2,007,725	\$ 1,775,308	\$ 2,217,270	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969
Interest	787,250	1,530,736	1,406,731	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626
Total	2,834,557	2,410,027	3,414,456	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595
Revenue bonds								
Principal	2,365,769	3,803,884	3,109,085	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118
Interest	769,652	486,109	515,368	541,101	773,675	537,820	455,333	427,360
Total	3,135,421	4,289,993	3,624,453	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478
Total Debt Service Principal and Interest	<u>\$ 5,969,978</u>	<u>\$ 6,700,020</u>	<u>\$ 7,038,909</u>	<u>\$ 5,955,878</u>	<u>\$ 6,797,789</u>	<u>\$ 6,385,935</u>	<u>\$ 6,845,804</u>	<u>\$ 8,956,073</u>
Debt Coverage	<u>1.20</u>	<u>1.19</u>	<u>1.20</u>	<u>1.33</u>	<u>1.36</u>	<u>1.53</u>	<u>1.57</u>	<u>1.21</u>

(1) In August 1994, the Virginia Department of Environmental Quality (DEQ) issued the City a discharge permit and a special Consent Order which established a compliance schedule and project priorities for implementation of a Combined Sewer Overflow (CSO) Control Plan. The compliance schedule does not contain fixed dates for implementing the CSO Control Plan, but rather provides for implementation that reflects the City's financial capability. The debt coverage calculation above is utilized to determine the City's financial capability for Consent Order compliance based on a minimum debt coverage ratio of 1.2.

(2) For FY 2008 General obligation bond principal payments exclude \$6,500,000 from an August 2, 2007 current refunding bond issue that permanently financed the May 9, 2006 General obligation bond anticipation notes (BANS).

**DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS**

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
1999	66,200	1,551,927	23,443	33.1	9,387	2.2
2000	65,269	1,604,247	24,579	35.1	9,296	2.1
2001	65,400	1,646,576	25,177	35.1	9,212	4.5
2002	65,800	1,672,768	25,422	35.1	9,063	6.2
2003	66,400	1,739,215	26,193	35.1	8,955	6.1
2004	67,100	1,804,990	26,900	35.1	8,775	5.6
2005	67,756	1,871,827	27,626	35.1	8,620	5.2
2006	68,579	2,050,306	29,897	35.1	8,614	4.0
2007	69,738	2,142,282	30,719	35.1	8,622	4.3
2008	69,738	*	*	35.1	8,414	5.6

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) Weldon Cooper Center for Public Service, University of Virginia www.coopercenter.org

(2) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis

(3) Virginia Employment Commission (annual average) www.vaemploy.com/www.vec.virginia.gov/velma.virtuallmi.com and
Bureau of Economic Analysis for FY 2006 through FY 2008

(4) United States Census - 2000

(5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year presented.
These figures were previously reported based on preliminary information provided by Lynchburg City Schools and
have been updated with the information available from the Virginia Department of Education.

(6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2008

* FY 2008 information unavailable

**PRINCIPAL EMPLOYERS ,
CURRENT YEAR AND NINE YEARS AGO**

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Centra Health, Inc.	4,500	1	14.11%	3,800	1	13.13%
Thomas Road Baptist Church, Jerry Falwell Ministries, Inc.	3,321	2	10.42%	1,114	7	3.85%
Areva (2)	1,512	3	4.74%	1,500	5	5.18%
Lynchburg City Schools	1,500	4	4.70%	1,577	3	5.45%
City of Lynchburg	1,309	5	4.11%	1,125	6	3.89%
Genworth Financial Inc. (1)	1,240	6	3.89%	1,533	4	5.30%
J. Crew Outfitters	800	7	2.51%	1,000	8	3.45%
Kroger	619	8	1.94%	719	10	2.48%
Lynchburg College	599	9	1.88%			0.00%
Nationwide Insurance Co.	585	10	1.83%			0.00%
R.R. Donnelley, Inc.			0.00%	758	9	2.62%
Ericsson			0.00%	3,500	2	12.09%
Total	15,985			16,626		

Employed Civilian Labor Force (June 2008) Lynchburg City - Virginia Employment Commission 31,882

Employed Civilian Labor Force (June 1999) Lynchburg City - Virginia Employment Commission 28,949

Source: FY 2008 numbers are derived from Office of Economic Development,
City of Lynchburg, Virginia as of October 2007.

Source: FY 1999 numbers are derived from Official Statement for bond issue July 1, 2000.

(1) Formerly First Colony Life Insurance Co.

(2) Formerly Framatome

**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Functions/Programs	Full-time-Equivalent Employees as of June 30									
	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Adopted 2008 ⁽¹⁾
Primary government:										
General Government Administration										
Council Manager Offices	7	8	11	10	8	8	8	7	9	9
City Assessor	11	11	11	11	11	11	13	13	12	13
City Attorney	5	6	6	7	7	7	7	7	7	7
Commissioner of Revenue	14	14	14	14	14	15	16	16	16	15
Communications & Marketing	3	3	3	3	3	3	3	3	3	3
Local Government Channel	-	-	-	-	-	-	-	-	-	2
Customer Service	3	3	3	3	3	3	4	2	2	4
Financial Services	48	47	48	48	49	51	50	49	49	48
Financial Services-Human Services	0	0	0	0	0	0	0	0	12	12
Human Resources	8	9	9	10	10	10	12	11	12	12
Information Technology	15	13	21	22	23	25	27	28	28	29
Internal Audit	3	3	3	3	3	3	3	3	2	2
Registrar and Electoral Board	2	2	2	2	2	2	3	3	3	3
State Treasurer (State)	3	3	3	3	3	3	2	2	2	2
Risk Management Fund	3	3	3	3	3	3	3	3	3	3
Judicial Administration										
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13	13
Circuit Court Judges	2	2	2	2	2	2	2	2	2	2
Commonwealth Attorney	14	14	27	21	34	37	36	35	33	34
Sheriff	27	28	27	27	27	27	31	31	31	31
Regional Juvenile Detention Center Fund	48	49	50	50	51	51	51	48	50	50
Public Safety										
Police Department	170	170	181	187	190	192	199	200	198	208
Emergency Communications	26	30	30	30	31	31	31	31	31	31
Fire Department	183	185	184	182	183	182	183	180	180	185
Public Works										
Public Works Administration	3	4	8	7	7	6	6	6	0	0
Buildings & Grounds Maintenance	78	78	76	76	78	78	98	92	88	88
Engineering Division (2)	26	29	28	38	31	31	36	35	0	0
Geographic Information System	0	0	0	0	3	3	3	3	0	0
Street & Traffic Maintenance	57	51	50	40	40	40	42	42	36	38
Health & Human Services	147	180	187	178	192	186	178	181	188	192
Cultural and recreational	35	77	80	93	83	83	97	101	102	102
Community Planning & Economic Development (2)	33	46	33	31	35	36	38	38	78	82
Fleet Services Fund	0	0	0	14	13	13	13	13	13	12
Business-type activities:										
Airport Fund	15	N/A	21	20	20	20	21	18	21	21
Water Fund	53	54	54	58	57	61	60	64	65	66
Sewer Fund	43	50	50	45	43	44	47	47	47	47
Solid Waste Fund	43	44	43	43	42	42	42	46	43	43
Source: Budget Office, City of Lynchburg, Virginia	1,141	1,229	1,281	1,293	1,314	1,322	1,378	1,373	1,379	1,409

(1) FY 2008 actual will be available with the FY 2009 adopted budget.

(2) During FY 2007 the Engineering Division was moved to Community Planning & Economic Development.

**OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical Arrests	10,994	4,957	7,403	7,563	6,295	6,449	6,717	6,996	6,634	6,813
Traffic Violations	16,616	16,395	12,496	15,190	8,759	9,628	11,477	10,926	10,634	11,327
Parking Violations	12,444	9,440	8,519	9,930	8,113	7,308	6,806	6,306	7,741	7,786
EMS calls	N/A	N/A	N/A	11,864	14,552	12,197	12,782	13,032	13,764	14,660
Fire										
Number of calls answered (per month) (1)	465 (est)	504 (est)	528 (est)	602 (est)	619(est)	227 (est)	328 (est)	463 (est)	501	517
Number of inspections conducted	968	1,250	1,436	1,425	1,430	1,280	1,089	293	253	368
Sanitation and Refuse										
Refuse collected (tons/day) (2)	32.58	33.05	58.05	57.79	59.95	62.30	66.45	70.74	72.22	69.68
Recyclables collected (tons/day)	8.96	9.21	6.81	19.13	8.43	7.60	6.42	5.34	5.34	6.73
Airport										
Total number of passengers	173,858	167,060	151,003	107,455	92,779	109,940	128,811	124,093	115,560	98,423
Sewage										
Number of service connections	17,000	17,100	17,300	17,300	17,500	17,595	17,768	18,179	18,310	18,486
Average daily treatment in million gallons (3)	12.74	13.25	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections	21,200	21,275	21,386	21,386	21,586	21,341	21,522	21,930	22,044	22,158
Average daily consumption of plant in million gallons	12	12	12	12	11	11	11	11	10	12
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

(1) Fire calls only, not EMS

(2) The numbers stated for FY 2001-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.

(3) The numbers stated for FY 1999-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	55	43	45	45	53	53	53	54	55	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	12	11	12	14	14	15	15	16	16	16
Highways and Streets										
Street (miles) (1)	355.00	360.00	312.00	314.00	365.95	368.23	372.23	373.28	374.42	374.42
Streetlights (2)	9,309	9,334	9,444	9,520	9,590	9,672	9,747	9,822	9,899	9,926
Traffic signals	103	108	110	110	110	110	113	117	117	118
Culture and Recreation										
Community centers	8	7	7	7	7	7	7	7	7	7
Senior centers	-	-	-	-	-	-	1	1	1	1
Parks	12	12	12	16	16	16	17	17	17	17
Parks acreage (3)	831.5	831.5	835	835	835	835	838	848	848	905
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	3	5	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,268	2,274	2,274	2,274	2,324	2,451	2,788	2,799	2,800	2,887
Storage capacity (thousands of gallons)	not specified	not specified	not specified	not specified	not specified	not specified	not specified	33,000	33,000	33,000
Sewer										
Average daily sewage treatment (MGD) (6)	12.74	13.25	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86
Maximum daily sewage treatment (MGD)	18.73	29.90	28.73	34.62	36.85	28.28	27.11	27.11	33.44	26.37
Transit - route service buses (7)	29	29	29	29	29	29	29	29	29	37
Transit - paratransit service buses (8)	-	-	-	-	-	-	-	-	-	7
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	13	12	12	11	10	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	788	788	769	636	554	554	554	587	587	575

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for FY 2003-2006 differ from previously reported and reflect the actual data based on the information provided by Public Works Department.
- (2) The numbers stated for FY 2002-2006 differ from previously reported and reflect the actual data reported by American Electric Power.
- (3) Including Blackwater Creek Natural Area.
- (4) 10 locations with a total of 40 courts - including schools.
- (5) Mapping is under development. Complete information is not available.
- (6) The numbers stated for FY 1999-2007 differ from previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (7) The increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (8) GLTC purchased new paratransit buses to better serve the elderly population.
- (9) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.

TABLE 27

**CITY OF LYNCHBURG, VIRGINIA
LYNCHBURG CITY SCHOOLS
STUDENT ENROLLMENT, EMPLOYEES AND SCHOOLS BY FISCAL YEAR
LAST NINE YEARS**

Student Enrollment, Employees and Schools by Fiscal Year									
Description	2000	2001	2002	2003	2004	2005	2006	2007	2008
Elementary School Membership	4,366	4,230	4,049	3,968	3,910	3,840	3,793	3,877	3,916
Secondary School Membership	<u>4,930</u>	<u>4,982</u>	<u>5,015</u>	<u>4,987</u>	<u>4,872</u>	<u>4,785</u>	<u>4,809</u>	<u>4,745</u>	<u>4,447</u>
Total Membership	<u>9,296</u>	<u>9,212</u>	<u>9,064</u>	<u>8,955</u>	<u>8,782</u>	<u>8,625</u>	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>
Teachers and Administrators (1)	798	811	807	782	762	753	776	772	774
Other Employees	<u>490</u>	<u>475</u>	<u>494</u>	<u>474</u>	<u>467</u>	<u>471</u>	<u>470</u>	<u>482</u>	<u>482</u>
Total Employees	<u>1,288</u>	<u>1,286</u>	<u>1,301</u>	<u>1,256</u>	<u>1,229</u>	<u>1,224</u>	<u>1,246</u>	<u>1,254</u>	<u>1,256</u>
Elementary Schools (2)	12	12	12	11	11	11	11	11	11
Secondary Schools	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Buildings	<u>17</u>	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>

(1) Includes only full-time equivalent positions funded through the operating budget.

(2) Does not include Armstrong, now being used for special education students.

**Actual Average Daily Student Enrollment by Grade & Fiscal Year
(Based on September 30th Actual Enrollment)**

Grade	2000	2001	2002	2003	2004	2005	2006	2007	2008
K	769	669	655	674	700	666	670	722	732
1	696	755	661	628	651	628	655	675	673
2	764	685	716	664	608	647	634	629	648
3	702	719	649	689	641	583	628	629	653
4	729	693	695	633	690	630	593	625	606
5	706	709	673	680	620	686	613	597	604
6	746	713	729	686	689	658	707	618	613
7	704	719	707	697	661	680	664	694	581
8	740	705	730	737	697	660	687	662	625
9	895	825	869	904	856	857	823	867	777
10	665	790	757	730	740	772	726	661	647
11	579	627	666	676	656	627	669	621	654
12	<u>601</u>	<u>603</u>	<u>557</u>	<u>557</u>	<u>573</u>	<u>531</u>	<u>533</u>	<u>622</u>	<u>550</u>
Total	<u>9,296</u>	<u>9,212</u>	<u>9,064</u>	<u>8,955</u>	<u>8,782</u>	<u>8,625</u>	<u>8,602</u>	<u>8,622</u>	<u>8,363</u>

Source: Superintendent of Schools, City of Lynchburg, Virginia.

FY 2000 is the first year of reporting this information with a goal of future reporting to include ten (10) years.

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the City Council and City Manager
City of Lynchburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2008 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's financial statements include the discretely presented component unit referred to as the Business Development Centre, Inc. Our audit did not include the operations of this component unit because it engaged other auditors to perform its audit.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 07-1, 07-3, 08-1, and 08-2 to be significant deficiencies in internal control over financial reporting.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, of the significant deficiencies described above, we consider Items 07-1, 07-3, and 08-1 to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Items 08-3, 08-4, 08-5, 08-6, 08-7, and 08-8.**

We noted certain matters that we reported to management of the City in a separate letter dated November 21, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information of the audit committee, management, others within the City, state and federal awarding agencies, pass-through entities, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Members of the City Council and City Manager
City of Lynchburg, Virginia

Compliance

We have audited the compliance of the City of Lynchburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended for the information of the audit committee, management, others within the City, federal awarding agencies and pass-through entities, and City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM AUDIT GUIDE**

To the Members of the City Council and City Manager
City of Lynchburg, Virginia

Compliance

We have audited the compliance of the City of Lynchburg, Virginia with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility program (the "Program") for the year ended June 30, 2008. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2008.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the Program. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer the Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the Program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the Program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information of the audit committee, management, others within the City, the Federal Aviation Administration, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2008

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2008

As more fully described in the compliance reports on pages 138 through 141, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

Requirements of laws and regulations required by the Federal Aviation Administration in relation to passenger facility charges.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Four significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Items 07-1, 07-3, and 08-1 were determined to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

Name of Program	CFDA #
Title I	84.010
Social Services Block Grant	93.667
National School Breakfast Program	10.553
National School Lunch Program	10.555
Title VI-B Special Education	84.027
Special Education Preschool Grants	84.173
Airport Improvement Program	20.106
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Food Stamp Administration	10.561

8. The **threshold for** distinguishing Type A and B programs was **\$753,000**.
9. The City of Lynchburg was **not** determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. Material weakness identified? No
 - b. Significant deficiency not considered to be a material weakness? None reported
 - c. Noncompliance material to the passenger facility charge program? No
 - d. Type of auditor's report on compliance for the program. Unqualified
 - e. Any audit findings disclosed. No

CITY OF LYNCHBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

07-1: Auditor Adjustments – Schools (Material Weakness)

Condition:

We proposed a number of journal entries at the Schools which we deemed material to the financial statements.

Recommendation:

Management should take steps to ensure that all significant accounts are reconciled and properly adjusted. Monitoring of significant account balances should be a normal practice throughout the year.

Management's Response:

Management agrees with the recommendation and will take appropriate steps to ensure that all significant accounts are reconciled and properly adjusted throughout the year.

07-3: Landfill Liabilities (Material Weakness)

Condition:

Due to inadequate review of the engineer provided landfill liability calculation, errors in the liability were not detected. The landfill liability calculation was incorrect due to a portion of closure costs being omitted from the external engineer's calculations.

Recommendation:

We recommend that City management, including the finance and public works departments, perform a thorough review of all estimates provided by the external engineers for identification of errors or omissions.

Management's Response:

Management agrees with the recommendation. City Management, including personnel from Finance and Public Works will perform a thorough review of all estimates provided by engineers and consultants to ensure accuracy and completeness of information and will identify any errors or omissions.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

08-1: Grant Reimbursements: (Material Weakness)

Condition:

We proposed material journal entries to grant revenue for unrecorded reimbursements receivable. These were due to the City recording reimbursable expenditures but not accruing the related reimbursement revenue.

Recommendation:

Management should take steps to ensure for all such reimbursement driven grants that reimbursement revenues are recorded for all eligible expenditures.

Management's Response:

Management agrees with the finding and recognizes the importance of recording reimbursement revenues for eligible expenditures. Procedures have been enhanced to ensure that reimbursement revenues are recorded appropriately and accurately.

08-2: School Cash Receipts (Significant Deficiency)

Condition:

We noted inadequate segregation of duties in the cash receipts processes at the Schools.

Recommendation:

Management should use existing controls to segregate such duties to the extent possible.

Management's Response:

Management agrees with the recommendation. Procedures have been put in place to use existing controls to ensure the proper segregation of duties.

C. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

08-3: Virginia Security for Public Deposits Act

Condition:

Two cash deposits were not marked as public funds as required by the Virginia Security for Public Deposits Act.

Recommendation:

Procedures should be implemented to ensure that all deposits are marked as public funds in accordance with the Virginia Security for Public Deposits Act.

Management's Response:

The public funds designations for the two accounts have been resolved. One account was closed and the other was corrected to include the appropriate public funds designation by the bank. Future annual reviews of bank accounts by staff will verify the status to ensure that the public funds designation remains with the accounts.

08-4: Timely Disclosure Statement Submission

Condition:

We noted one out of seventy-three members of City appointed boards that did not file the official disclosure statement by the January 15 required submission deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed in a timely manner.

Management's Response:

Management recognizes the importance of filing the disclosure statements in a timely manner. Procedures are in place to send out an initial notification, first reminder notice and second reminder notice. Failure to respond to the notices results in phone calls to the individuals until the disclosure statements are filed.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

08-5: Highway Maintenance Costs

Condition:

We noted that eight out of twenty-five workorders reviewed did not utilize the correct equipment rates. We also noted that overhead rates were not being applied correctly.

Recommendation:

We recommend that the City review its controls over the Highway Maintenance Program and initiate changes that will prevent the above errors from occurring.

Management's Response:

Management agrees with the recommendation. The City is reviewing the controls currently in place in order to determine where the controls need to be enhanced to prevent errors in equipment rates and application of overhead rates in the future.

08-6: Special Welfare Accounts – Timely Deposit of Receipts

Condition:

We noted one out of five special welfare receipts reviewed that was not credited to the related special welfare account until approximately one week had passed.

Recommendation:

We recommend that the City make efforts to deposit all special welfare funds timely.

Management's Response:

Management agrees with the recommendation and recognizes the need for timely deposit of special welfare funds. The City's current policy requires that all cash be deposited within 24 hours of receipt. All other collections, cash and money orders, are deposited within two days of receipt. When funds are received for a child without an existing account, a delay may occur while awaiting the set up of the account for the child. It is the City's policy to ensure that collections are deposited timely.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

08-7: Virginia Retirement System – Creditable Compensation

Condition:

We noted eight out of twenty-one individuals' creditable compensation and base pay reviewed was calculated incorrectly.

Recommendation:

While the City has corrected these specific calculations, it should continue to calculate creditable compensation as set forth by the Virginia Retirement System.

Management's Response:

Management agrees with the recommendation and recognizes the importance of accurate calculations. During FY2008, Information Technology and the Human Resources Department developed a reporting method that submitted creditable compensation to VRS that reflected the amount actually paid through the bi-weekly pay schedule used by the City of Lynchburg. However, VRS accounting procedures were unable to accommodate the bi-weekly reporting and required a monthly averaging of employee pay. Therefore, the amounts reported through the bi-weekly method were changed as needed to ensure accurate retirement processing, in accordance with VRS requirements. The City will ensure that the VRS required methodology for calculating creditable compensation will be used henceforth.

08-8: School Board

Condition:

The Schools' Operating Fund expenditures of \$85,526,606 for the year ended June 30, 2008 exceeded the final budget of \$85,286,517 by \$240,089. Spending that exceeds this operating budget violates local ordinance and also indicates a weakness in the schools' system of internal controls over compliance.

Recommendation:

The Schools' management should regularly monitor budget versus actual information throughout the year to ensure budgetary compliance.

Management's Response:

Management agrees with the recommendation and understands the requirement to monitor budget to actual information throughout the year. Management is reviewing and updating current controls and procedures to ensure that monitoring of budget versus actual information is performed and reported in a timely manner. Timely reporting will allow Management to take the necessary steps to ensure compliance with the legally adopted budget.

CITY OF LYNCHBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

Auditor
Reference No.

06-6: Workforce Investment Act Cluster – CFDA 17.258, 17.259, & 17.260

Condition:

City was not performing monitoring of activities financed by federal program funds performed at subrecipients.

Current Status:

Finding was not detected for the year ended June 30, 2008.

07-4: Foster Care – CFDA 93.658

Condition:

We noted one instance out of fifteen where a permanency plan was not established within the required time period.

Current Status:

Finding was not detected for the year ended June 30, 2008.